

THE PEOPLE'S BANK OF CHINA

ANNUAL REPORT

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MESSAGE FROM THE GOVERNOR

The year 2020 was marked with unusual challenges, including the COVID-19, the grim external environment, and the heavy unfinished agenda for reforming, developing and maintaining the stability of the financial sector. Faced with the formidable challenges, the People's Bank of China (PBC), under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the decisions and arrangements made by the Communist Party of China (CPC) Central Committee and the State Council. Following the coordination of the Financial Stability and Development Committee (FSDC) under the State Council, the PBC proactively implemented sound monetary policy, extended strong support to maintain business viability and secure employment, continued to forestall and defuse major financial risks, and further deepened financial reforms and opening-up, while performing the duties as the Office of the FSDC with remarkable progress on all fronts.

The sound monetary policy was more flexible and appropriate

To keep money aggregate at an appropriate level, lower financing costs and support the real economy, the PBC designed intertemporal policies to cope with high uncertainties. It provided RMB1.75 trillion worth of long-term liquidity through three required reserve ratio (RRR) cuts to keep liquidity reasonably adequate. The PBC provided strong monetary policy support through central bank lending and rediscount facilities, innovative policy instruments with higher transmission efficiency, and higher credit lines for policy banks. The shift in the pricing benchmark for outstanding floating-rate loans was completed, to help the financial system forego profits by RMB1.5 trillion in favor of the real economy. The PBC continued to allow the market to play a decisive role in the exchange rate formation, and kept the RMB exchange rate basically stable at an adaptive and equilibrium level. It achieved its monetary policy goals, as new RMB loans registered RMB19.6 trillion, and new aggregate financing to the real economy reached RMB34.79 trillion. As a result, China was the only major economy to report positive growth and one of the few major economies to maintain normal monetary policy.

Financial support to secure business viability and employment produced desired results

The PBC introduced well-phased financial support policies commensurate with the pace of COVID-19 containment and economic recovery. The 30 financial support measures for COVID-19 containment allowed the heavily-affected regions, industries, enterprises and residents to benefit from the customized financial services. It set up a RMB300 billion special central bank lending facility for fighting the COVID-19 and securing supplies, a RMB500 billion special central bank lending and rediscount facility for supporting the resumption of business and production, and a RMB1 trillion inclusive central bank lending and rediscount, all of which have been fully delivered. The PBC introduced two monetary policy instruments that provide direct support for the real economy on June 1, 2020. It offered financial support to encourage banks to defer enterprise debt service and to issue unsecured inclusive loans to micro and small businesses (MSBs). By the end of 2020, banks deferred debt service amounting to RMB7.3 trillion, and issued a total of RMB3.9 trillion unsecured inclusive MSB loans. About 32.28 million MSBs gained access to inclusive loans, up 5.24 million over the end of the previous year. Moreover, the PBC resolutely supported the critical battle against poverty by continuing to use central bank lending policies to incentivize and guide poverty alleviation, which helped elimination of poverty in all counties.

The macro-prudential policy framework was further improved

The PBC continued to improve the macro-prudential policy framework. The countercyclical capital buffer was introduced to balance the prevention of systemic financial risk and COVID-19 response measures. It phased in macro-prudential stress tests, monitored and evaluated China's financial conditions regularly, and improved the system for the monitoring, assessing and early-warning of systemic financial risks. The PBC released the *Notice on Establishing the Real Estate Loan Concentration Management System for Banking Institutions* to effectively promote the sound development of the real estate market. It built up and strengthened

the macro-prudential management framework for cross-border capital flows, and released the *Measures for Assessment of Systemically Important Banks* to specify the assessment methodology, indicators, procedures and framework. The *Trial Measures on Regulation of Financial Holding Companies* was promulgated and implemented, which stipulated the law-based market access management as well as on-going interim and ex-post regulation of financial holding companies (FHCs) formed via the investment by non-financial enterprises.

Significant results were achieved in forestalling and defusing major financial risks

Forestalling and defusing major risks is one of the three critical tasks identified at the 19th CPC National Congress and a key initiative in building a moderately prosperous society. Over the past three years, the PBC, in line with the objectives and tasks determined by the CPC Central Committee and the State Council, earnestly performed its responsibilities as the Office of the FSDC, urged all parties to perform their duties, better coordinated the critical task of forestalling and defusing major financial risks in a holistic manner, and reprioritized risk resolution efforts as financial risks evolved. In 2020, while continuing to lead the risk resolution of large financial groups, the PBC took the lead in coordinating the China Banking and Insurance Regulatory Commission (CBIRC) and the China Securities Regulatory Commission (CSRC) to take over nine core financial institutions affiliated with the Mingtian Group. It properly addressed the risks of corporate bond defaults. With concentrated endeavors, the PBC effectively curbed the rise of systemic financial risks and fundamentally reversed the diversion of financial resources out of the real economy as well as their reckless expansion, so that the bottom line of preventing systemic financial risks was preserved.

High-level opening-up of the financial sector proceeded in an orderly manner

The PBC was fully involved in negotiating the chapter on financial services for the *Regional Comprehensive Economic Partnership Agreement* (RCEP), which is the first trade agreement signed by China that has incorporated articles on new financial services and the transfer of financial information. It actively implemented the green finance initiative of G20 Hangzhou Summit, and advocated international cooperation on green finance. It promoted

the general allocation of special drawing rights (SDRs) by the International Monetary Fund (IMF) to increase the resources of low-income countries to cope with the COVID-19. Based on the principle of “same standards and same rules”, the PBC promoted the opening-up of China’s interbank and exchange-traded bond markets. It continued to expand overseas RMB clearing bank arrangements, and improved the service capacity of the RMB Cross-Border Interbank Payment System (CIPS). In 2020, cross-border receipts and payments in RMB totaled RMB28.4 trillion, up 44 percent. To intensify the support for stabilizing foreign investment and trade, the PBC introduced eight initiatives for trade and investment facilitation, such as optimizing cross-border e-commerce foreign exchange settlement at banks. Quota limits under the Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) schemes were removed to simplify the management over funds of domestic securities and futures investment. It also introduced guidelines on micro-regulation of the foreign exchange market. The size of foreign exchange reserves remained stable.

Supervision of the Internet platform companies was strengthened

The PBC resolutely implemented the decisions and arrangements made by the CPC Central Committee and the State Council on strengthening anti-monopoly, preventing the disorderly expansion of capital, and coordinating financial development and financial security. It acted swiftly in shoring up weak links in the regulatory system, adopted effective measures to improve regulatory capacities, and subjected all financial innovation to prudential regulation. The PBC tightened the regulation over payment, credit investigation, small Internet loans and other financial activities, and strictly cracked down on all kinds of violations of laws and regulations. It stepped up eligibility management of financial consumers and macro-prudential regulation, while maintaining the stability of financial markets and financial services.

Financial reform saw new progress

The PBC earnestly performed its responsibilities as the Office of the FSDC, guided local regulators to establish local coordination mechanisms, and assisted in implementing key tasks, such as providing financial support to keep enterprises afloat and secure employment as well as preventing and defusing major financial risks. It led the research on improving the supply-side structural

reform of the financial sector, and promoted the introduction of 26 financial reforms and opening-up measures in two batches. It encouraged global systemically important banks to enhance their total loss-absorbing capacity. The transition period of the new regulation on asset management was extended to the end of 2021, and supporting policy arrangements were improved to vigorously promote the rectification of asset management business in the transition period. The rules for resolution of defaults and information disclosure of corporate debenture bonds were gradually harmonized, infrastructure interconnectivity was continuously advanced in the bond market, and rules for the recognition of standard debt-based assets were released. A standardized bill financing mechanism was launched. Following the inclusion of China's bonds in the Bloomberg Barclays Global Aggregate Index and the JPMorgan's benchmark emerging market index, two major international bond indices, FTSE Russell announced its timetable for including Chinese government bonds in its index. Significant progress has been made in building a green financial system, with China's outstanding green loans and green bonds ranking the first and the second in the world respectively.

Bright spots emerged in financial services and management

After the outbreak of the COVID-19, the PBC opened a green channel for financial services such as payment, treasury, cash supply, credit information and foreign exchange, making every effort to meet the needs of COVID-19 containment and the needs of the people. It effectively implemented the statistical system for systemically important financial institutions, financial holding companies and basic financial data, and developed the smart cloud platform for the national financial database. The PBC rectified the rejection of payment in cash in line with the law, carried out the pilot program of e-CNY, and completed the system upgrade of the basic financial credit information database and the unified registration and public notice system for

movable property financing. The PBC fulfilled its mandates under the Chinese Presidency of the Financial Action Task Force (FATF). The monitoring, analysis and investigation of money laundering played a positive role in supporting the risk resolution of key institutions and investigation of major cases. The PBC published its regulations on financial consumer protection, and launched the pilot program of demonstration bases for financial education.

The year 2021 is of particular importance to China in its modernization drive. Under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBC will continue to comprehensively implement the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, adhere to the underlying principle of pursuing progress while ensuring stability, and practice the new development philosophy at the new development stage. Moreover, it will focus on promoting high-quality development and build a modern central bank system to ensure that the work program of the CPC Central Committee and the State Council for the financial sector is effectively implemented, so as to provide strong and effective financial support for speeding up the building of a new development paradigm and commemorate the centenary of the founding of the CPC with remarkable achievements.

Governor of the People's Bank of China

A stylized, handwritten signature in black ink, consisting of the Chinese characters '易纲' (Yi Gang), the name of the Governor of the People's Bank of China.

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



Liu Guiping

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

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-2020.

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 Department

Research Bureau

Monetary Policy Department

Macro-prudential Management 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 Management 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 (Mass Work Division 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 Department

Financial Stability Department

Statistics and Research Department

International Department

Financial Services Department I

Financial Services Department II

Foreign Exchange 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, 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



In 2020, the global economy plunged into the deepest recession since the Second World War, with major economies experiencing economic contraction in the first half of the year and limited recovery in the second half. The COVID-19 had a far-reaching impact on economic structure, trade and investment, and macro management framework.



Economic and financial developments in the major economies

Weak global recovery

The major advanced economies recovered somewhat in the second half of the year after a sharp contraction in the second quarter, but growth momentum weakened. In the fourth quarter, the annualized quarter-on-quarter growth in the US was 4.5 percent, while the GDP in Japan and the UK grew 2.3 percent and 1.5 percent respectively compared with the previous quarter, all showing a salient decline from the third quarter; and the GDP in the euro area shrank 0.4 percent over the previous quarter. High-frequency data revealed that the US Consumer Confidence Index dropped from its peak of 49.8 in November to 44.6 at the end of December; the services Purchasing Managers' Index (PMI) in the euro area and the UK remained below 50 since September and November respectively, and the index in Japan stayed below 50 throughout the year.

Unemployment pressure remained elevated. The US unemployment rate edged down after hitting the high of 14.8 percent in April, but the pace of improvement slowed. The unemployment rate persisted through November and December at 6.7 percent. The US Federal Reserve

(Fed) suggested that the figure was underestimated. The COVID-19 kept people from hunting for jobs, as indicated by lower labor participation rate. In addition, part of the unemployed were mistakenly counted as employed. The real unemployment rate after accounting for the above two factors would be close to 10 percent. From April to December 2020, the unemployment rate in the euro area increased from 7.3 percent to 8.1 percent, while that in Japan, from 2.6 percent to 3.0 percent.

The consumer price index (CPI) picked up after a downturn. The US CPI rebounded from 0.1 percent in May, the lowest in the year, to 1.4 percent in December. The euro area CPI, which fell into the negative territory in August through December, increased to 0.9 percent in January 2021. The CPI in the UK was 0.6 percent in December after hitting the low of 0.2 percent in August, while that in Japan dropped to the negative territory in the fourth quarter. Some emerging market economies faced structural inflationary pressures. In December, the CPI rose 4.6 percent in India and 4.5 percent in Brazil, mainly driven by rising food prices.

Latent pressure from enterprise bankruptcy might become visible. A study by the IMF of 13 advanced economies

showed that fewer enterprises went bankrupt during the COVID-19. For example, the number of bankruptcy filings in the US in 2020 dropped by 16.7 percent from the prior year. There were two reasons. First, the bankruptcy procedures were delayed due to the COVID-19, and some countries even suspended bankruptcy filings. Second, countries introduced proactive crisis relief policies to keep market players afloat.

International trade and investment declined. Data published by the World Trade Organization (WTO) showed that global trade in goods shrank 5.3 percent in 2020. Data by the United Nations Conference on Trade and Development (UNCTAD) showed that global direct investment plunged 42 percent. Foreign direct investment (FDI) in developed countries tumbled 69 percent, while that in developing countries slid 12 percent.

Financial market recovery outpaced that of the real economy although with heightened risks

The outbreak of COVID-19 unnerved the global financial markets in March, when there was a sell-off of both risky assets and some traditional safe haven assets. The stock market in a number of countries triggered the circuit breaker several times, the US dollar liquidity strains grew rapidly, and emerging markets saw massive capital outflows as their currencies depreciated. As governments unveiled strong COVID-19 response measures beginning in April, financial markets recovered as sentiment improved.

Global stock markets rallied, with increased volatility. Major stock indices in the US rebounded rapidly to record highs after returning to pre-COVID levels. The rapid rebound came along with higher volatility. The US stock market saw a correction of around 8 percent in September and October 2020 respectively, triggering a global adjustment.

The US dollar index fell while other major currencies appreciated. In December 2020, it dropped to 90, hitting a fresh low since 2018. Meanwhile, from March to December 2020, the euro, Swiss franc, British pound and Japanese yen appreciated 10.7 percent, 9.1 percent, 6.6

percent, and 4.6 percent respectively. Emerging market currencies also strengthened against the US dollar in the second half of 2020, although most failed to return to their pre-COVID levels.

Monetary policy of the major economies

Central banks implemented aggressive monetary easing to deal with the shocks from the COVID-19. In March, central banks responded swiftly to the fallout of the COVID-19, with about 40 central banks lowering interest rates more than 50 times accumulatively. The US Fed, the Bank of England (BOE), and the Bank of Canada promptly set their policy rates close to zero. The BOE, among others, expressed an open attitude toward the negative interest rate policy. The central banks of the major economies all increased quantitative easing. The US Fed and the Bank of Japan committed to unlimited purchases of government bonds, the BOE and the European Central Bank (ECB) expanded their asset purchase programs, while central banks in Australia, Canada, India, South Korea, and other countries launched bond purchase plans for the first time.

Central banks of the major economies provided targeted support through innovative liquidity facilities. The US Fed resumed and upgraded the rescue facilities it used during the 2008 Global Financial Crisis to reduce the pressure on financial markets. By establishing the paycheck protection program liquidity facility (PPPLF) and multiple structural facilities, the Fed innovatively engaged in rescuing enterprises, individuals, and other market entities. The ECB also introduced emergency long-term refinancing operations in response to the COVID-19. The US Fed rapidly expanded the currency swap arrangements with other central banks to address the worldwide dollar liquidity squeeze.

Central banks of some advanced economies explored reforms to their monetary policy frameworks. In an attempt to find a way out of the "low growth, low inflation, and low interest rate" stalemate, central banks of some advanced economies reviewed their monetary policy frameworks. After completing its review, the US Fed revised its inflation

target from 2 percent to an average inflation target of 2 percent over time and fine-tuned its target on maximum employment. The ECB and the Bank of Canada were expected to complete their reviews in 2021.

Global economic and financial outlook

First, the recovery of global economy will depend largely on the COVID-19 situation. Although vaccination is already underway, challenges remain in the reliability of vaccines, pace of roll-out, and scale of vaccination. The reliability of vaccines relies on the efficacy against the COVID-19 variants. The rapid and large-scale vaccination hinges on the whole process from vaccine production and shipment to distribution, which puts to test a country's technological, production, and public mobilization capacity. Some developing countries with fragile public health systems are in need of strong support from the international community to have their people vaccinated.

Second, there have been clear signs of a K-shaped recovery. First of all, countries will diverge further in recovery. Some emerging market economies in Asia have been recovering faster, with the Taiwan Province of China, Vietnam, and South Korea posting a growth of 3.1 percent, 2.9 percent, and -1.0 percent respectively. The recovery in advanced economies has been weak in general, while low-income countries were faced with bigger difficulties. Poverty reversed its course of decline in recent years. According to the IMF, the per capita income in over 159 economies in 2021 is projected to fall below the level in 2019, while still about 110 of them are projected to stay below the 2019 level in 2022. Secondly, domestic income disparity will grow. The high-income group was hit by the COVID-19 far less than the low-income group. When American companies laid off workers massively in April 2020, job vacancies in financial and information sectors decreased only by 9 percent and 3 percent respectively, but those in leisure and hospitality industries were slashed nearly in half. According to the IMF's forecast, the average Gini coefficient for emerging markets in 2020 will rise by 2.6 percentage points to 42.7 percent, wiping off the

gains in promoting social equality since 2008.

Third, risk may arise from premature withdrawal of crisis relief policies. The IMF estimated that in 2020 the fiscal deficit in the advanced economies and the emerging market economies would reach 13.3 percent and 10.3 percent of GDP respectively, while global public debt would rise to 97.6 percent of GDP. It will be a challenge to maintain the strength of fiscal stimulus: government financing costs have been rising sharply amid smaller fiscal space in countries which were already under great debt pressures before the crisis, while government revenues have been dropping rapidly and thus are unable to sustain spending needs in some developing countries hit hard by the COVID-19.

Fourth, excess liquidity from ultra-easy monetary policy poses another challenge. For one thing, ultra-easy monetary policy delays the exposure of some financial risks. The growth of non-performing loans (NPL) of banks in the advanced economies tends to accelerate following a flat period reflecting growing pressures from business bankruptcy and slower credit expansion of banks. For another, ultra-easy monetary policy also brings about new risks. For instance, non-bank financial institutions under inadequate prudential regulation have returned to risky practices such as increasing leverage.

Fifth, the shift in the priority of macroeconomic management may have far-reaching implications. The traditional macroeconomic policy framework would expect major countries to follow a laissez faire approach and pursue maximum efficiency through global allocation of resources, price stability and fiscal sustainability as well as monetary discipline. The continued decline in inflation is the very important by-product of economic globalization. In recent years, with the rise of populism and de-globalization, some countries have ranked employment and equity over efficiency as macroeconomic policy objectives, likewise local employment and industrial chain security over low inflation, and thus expanding fiscal spending to reclaim jobs. The disinflationary effect of globalization is likely to give way to reflationary pressures in the medium and long term.

ECONOMIC DEVELOPMENTS IN CHINA

The year 2020 was marked with unusual challenges, including the COVID-19, the grim external environment, and the heavy unfinished reform and development agenda. Thanks to the concerted efforts of the Chinese people under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, China was among the first in the world's major economies to contain the COVID-19, and to resume business, production and economic growth. The strategic achievements ranged from COVID-19 containment and economic and social development to poverty elimination. With the successful conclusion of the 13th Five-Year Plan, China is on course to finish building a moderately prosperous society in all respects.

Economic growth picked up quarter by quarter and industrial structure was stable

China's GDP reached RMB101.36 trillion in 2020, up 2.2 percent in real terms. The quarterly growth of -6.8 percent, 3.2 percent, 4.9 percent, and 6.5 percent respectively (Figure 1) seemed to point to a return to normal trajectory. The value-added of the primary, secondary, and tertiary industries registered RMB7.80 trillion, RMB38.36 trillion, and RMB55.20 trillion, up 3.1 percent, 2.5 percent, and 1.9 percent respectively.

In terms of the industrial value-added as a share of GDP, the primary and tertiary industries registered 7.7 percent and 54.5 percent, up 0.6 percentage points and 0.2 percentage points respectively, whereas the secondary industry registered 37.8 percent, down 0.8 percentage points. The primary, secondary, and tertiary industries contributed 10.0 percent, 43.5 percent, and 46.5 percent to growth respectively. Impacted by the COVID-19, the contribution of the secondary industry increased by 10.9 percentage points, while that of the tertiary industry decreased by 17.0 percentage points.

Industrial production stayed steady, and enterprise profitability increased slightly

Overall industrial value-added increased by 2.4 percent to RMB31.29 trillion, decelerating by 2.4 percentage points from the previous year. The value-added of statistically large enterprises (SLEs) grew 2.8 percent, decelerating by 2.9 percentage points. By sector, mining rose 0.5 percent, manufacturing 3.4 percent, and the production and supply sector for electricity, thermo power, gas and water 2.0 percent. The profits of SLEs registered RMB6.45 trillion, up 4.1 percent. The profits of the mining sector reached RMB355.3 billion, down 31.5 percent; those of the manufacturing sector reached RMB5.5795 trillion, up 7.6

Figure 1. China's Economic Growth



percent; and those of the production and supply sector for electricity, thermo power, gas and water were RMB516.8 billion, up 4.9 percent. In 2020, the profit margin in the operating income of the SLEs was 6.08 percent, up 0.2 percentage points, indicating a slight increase in the profitability of industrial enterprises.

Consumption growth moderated while contribution of investment increased

In 2020, final consumption expenditures contributed -22.0 percent to growth, while gross capital formation contributed 94.1 percent, becoming the main driver of economic growth. Total retail sales of consumer goods amounted to RMB39.20 trillion, declining by 3.9 percent (Figure 2), which was 11.9 percentage points lower than that of 2019. By residence, urban retail sales of consumer goods hit RMB33.91 trillion, a decrease of 4.0 percent, while those in rural areas reached RMB5.29 trillion, a decrease of 3.2 percent. Broken down by types of consumption, retail sales of goods reached RMB35.25 trillion, down 2.3 percent, and revenue in the catering industry totaled RMB3.95 trillion, down 16.6 percent. Online retail sales of goods and services amounted to RMB11.76 trillion, an increase of 10.9 percent. Specifically, online retail sales of physical goods totaled RMB9.76 trillion, up 14.8 percent, accounting for 24.9 percent of total retail sales of consumer goods and up 4.0 percentage points.

Total fixed-asset investments posted RMB52.73 trillion, up 2.7 percent (Figure 2), decelerating by 2.4 percentage points. Specifically, fixed-asset investments (excluding rural households) reached RMB51.89 trillion, an increase of 2.9 percent, decelerating by 2.5 percentage points. Investments (excluding rural households) in the primary, secondary, and tertiary industries amounted to RMB1.33 trillion, RMB14.92 trillion, and RMB35.65 trillion, up 19.5 percent, 0.1 percent, and 3.6 percent respectively. Investments in real estate development totaled RMB14.14 trillion, up 7.0 percent, decelerating by 2.9 percentage points.

In 2020, the contribution of net export of goods and services to growth increased by 15.4 percentage points to 28.0 percent. Import and export of goods in 2020 reached RMB32.22 trillion, an increase of 2.1 percent, decelerating by 1.4 percentage points from the previous year. Exports amounted to RMB17.93 trillion, up 4.0 percent (Figure 2), and imports totaled RMB14.30 trillion, down 0.2 percent. Trade in goods posted a surplus of RMB3.64 trillion, increasing by RMB722.2 billion. Trade with the Belt and Road countries reached RMB9.37 trillion, up 1.0 percent. Among this, exports registered RMB5.43 trillion, up 3.2 percent, while imports amounted to RMB3.94 trillion, down 1.8 percent.

Consumer prices saw a structural increase while producer prices declined slightly

In 2020, the CPI rose 2.5 percent, decelerating by 0.4

Figure 2. Growth of the Three Major Types of Demand

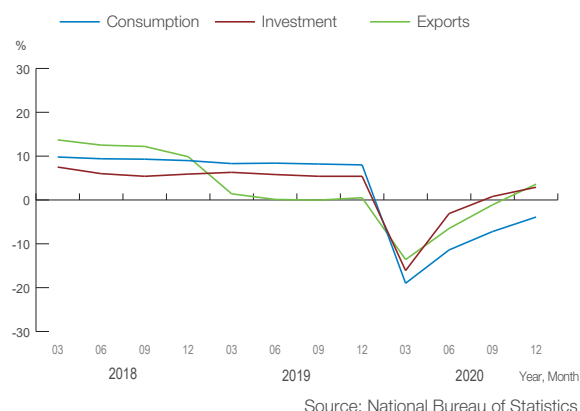
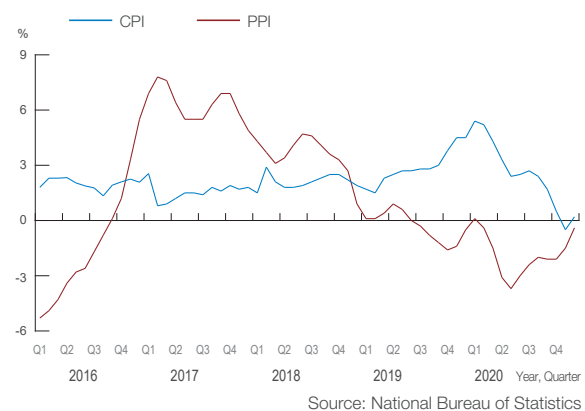


Figure 3. CPI and PPI Growth (year on year)



percentage points, with quarterly changes of 5.0 percent, 2.7 percent, 2.3 percent, and 0.1 percent respectively (Figure 3). Food prices rose 10.6 percent, accelerating by 1.4 percentage points, while non-food prices rose 0.4 percent, a deceleration of 1.0 percentage point. Prices of consumer goods rose 3.6 percent, on par with the previous year, while prices of services rose 0.6 percent, a deceleration of 1.1 percentage points.

In 2020, the decline of producer price index (PPI) widened by 1.5 percentage points to 1.8 percent. It fell 0.6 percent, 3.3 percent, 2.2 percent, and 1.3 percent respectively in the four quarters (Figure 3). Specifically, the price of consumer goods rose 0.5 percent, a deceleration of 0.4 percentage points. The decline of prices of means of production widened by 1.9 percentage points to 2.7 percent. The Purchasing Price Index of Raw Materials (PIRM) decreased 2.3 percent, widening by 1.6 percentage points, and the quarterly readings stood at 0.8 percent, 4.4 percent, 2.7 percent, and 1.3 percent respectively.

Employment remained stable and income gap between rural and urban residents further narrowed

In 2020, 11.86 million new jobs were created in urban areas, down 1.66 million from that in the previous year. The surveyed national urban unemployment at end-2020 remained flat at the end-2019 rate of 5.2 percent. The

per capita disposable income averaged RMB32 189, up 2.1 percent in real terms, decelerating by 3.7 percentage points. Specifically, the per capita disposable income of urban residents was RMB43 834, up 1.2 percent in real terms, while that of rural residents was RMB17 131, a gain of 3.8 percent in real terms (Figure 4). The ratio of urban per capita income to rural per capita income was 2.56, down 0.08 percentage points from 2019.

Fiscal revenue declined while expenditure growth moderated

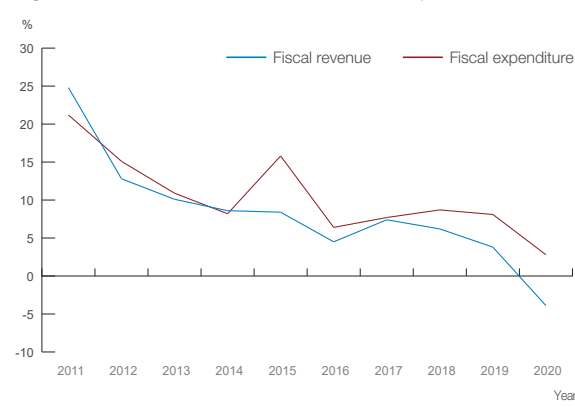
In 2020, fiscal revenue totaled RMB18.29 trillion, down 3.9 percent, representing a deceleration of 7.7 percentage points from the previous year (Figure 5). In particular, central government revenue amounted to RMB8.28 trillion, accounting for 45.3 percent of the total, a decrease of 7.3 percent. Local government revenue hit RMB10.01 trillion, accounting for 54.7 percent of the total, a decrease of 0.9 percent. Tax revenue posted RMB15.43 trillion, accounting for 84.4 percent of the total, a decrease of 2.3 percent. Non-tax revenue dropped 11.7 percent to RMB2.86 trillion, accounting for 15.6 percent of the total.

Fiscal expenditures totaled RMB24.57 trillion, increasing by 2.9 percent, a deceleration of 5.2 percentage points from the previous year (Figure 5). Central government expenditures amounted to RMB3.51 trillion, 0.1 percentage points lower than the growth of the previous year, while local government expenditures reached RMB21.06 trillion, up 3.4 percent.

Figure 4. Growth of Household Disposable Income



Figure 5. Growth of Fiscal Revenue and Expenditure



Macroeconomic outlook

Economic activity is expected to remain within a reasonable range despite a number of downside risks and challenges, including the COVID-19 prevalent around the world, and the complicated global economic environment with increasing instabilities and uncertainties. Domestically, weak links remain in the fight against COVID-19. The foundation for China's economic recovery is yet to be further consolidated, impediments to consumer spending remain, and investment growth lacks sustainability. The micro, small, and medium-sized enterprises (MSMEs) and the self-employed are still afflicted with lots of difficulties, and the pressure on securing employment is high. The innovation capacity in key areas needs to be improved. Some local government finances need to be fixed. The tasks of forestalling and defusing risks in the financial sector and other areas are still arduous. China is actively taking measures to develop a robust domestic market and foster a new development paradigm. The government will pursue the strategy of expanding domestic demand alongside deepening supply-side structural reform, and generate new demand through innovation-driven and high-quality supply. It will put in place frameworks to effectively expand domestic demand, boost consumer spending across the board, unlock the potential for investment, and accelerate the establishment of a complete system of domestic demand. With reform and opening-up advanced across the board, China will stimulate the vitality of all market players, further optimize business environment, and develop a new system for building an open economy at a higher level. Macro economic policies will be characterized by continuity, stability and sustainability. All this can help put the Chinese economy on a stable and steady trajectory in the long term.

Prices are expected to remain generally stable. The government will stabilize hog production, prevent and control major animal epidemic diseases as well as plant diseases and pests, and spare no efforts to ensure national food security and the effective supply of important agricultural and sideline products, which will help keep prices generally stable. With production of industrial consumer goods upgraded, the potential for investment unlocked and domestic demand expanded, the supply and demand of industrial products will remain generally stable. In general, the CPI is expected to decline due to downward correction in pork prices and other factors. Affected by higher global commodity prices and other factors, the PPI is expected to go up somewhat.

Employment will be stable and improving. As employment is the biggest livelihood project and an important guarantee for social stability, the government has given top priority to stable employment to ensure stability on six fronts. The employment-first policy will continue to be strengthened with coordinated efforts and increasing effectiveness. China will keep existing jobs stable and stabilize the employment fundamentals by protecting market players. It will support the development of new forms of employment, keep such employment well-regulated, broaden channels for creating market-based employment, and leverage the role of business startups in boosting employment. Employment for key groups will be ensured by providing differentiated and well-targeted support. Efforts will also be made to strengthen occupational trainings and address structural problems in the labor market. The government will strive to create more fair employment opportunities and improve the quality of employment services. These measures are expected to help maintain and improve the overall stability of employment.

DEVELOPMENTS IN THE FINANCIAL SECTOR



In 2020, the PBC resolutely implemented the decisions and arrangements made by the CPC Central Committee and the State Council. Under a sound monetary policy which is more flexible, appropriate and targeted, money and credit and aggregate financing grew at a reasonable pace with an improved structure, and the overall financing costs for enterprises dropped significantly. The RMB exchange rate remained basically stable at an adaptive and equilibrium level. The success in meeting monetary policy goals created an enabling environment for China to bring the COVID-19 under control, to resume business and production, and to post positive growth.



The broad money supply (M2) grew moderately

At end-2020, outstanding M2 grew by 10.1 percent to RMB218.7 trillion, accelerating by 1.4 percentage points. The narrow money supply (M1) and currency in circulation (M0) grew 8.6 percent and 9.2 percent respectively to RMB62.6 trillion and RMB8.4 trillion, accelerating by 4.2 percentage points and 3.8 percentage points respectively. The net cash supply was RMB712.5 billion, RMB314.4 billion more than that in 2019.

The AFRE grew at an appropriate pace

According to preliminary statistics, outstanding aggregate financing to the real economy (AFRE) reached RMB284.75 trillion at end-2020, up 13.3 percent representing an acceleration of 2.6 percentage points. The AFRE increase in absolute terms was RMB34.79 trillion, or RMB9.12 trillion larger than that in 2019. The structural features are as follows: first, RMB loans saw a substantially larger increase. Second, the drop in trust loans narrowed and undiscounted bankers' acceptances grew slightly. Third, both corporate bonds and equity financing increased considerably compared with the previous year. Fourth, government bond financing recorded a significantly larger

increase. Fifth, the increase in asset-backed securities financing by deposit-taking financial institutions narrowed from the previous year, while the growth of written-off loans accelerated.

Lending by financial institutions grew reasonably, with the credit structure optimized continuously

At end-2020, outstanding loans by financial institutions in domestic and foreign currencies grew 12.5 percent year on year or by RMB19.8 trillion compared with the beginning of 2020 to RMB178.4 trillion, an acceleration of RMB 3.0 trillion from the increase in 2019. Outstanding RMB loans grew 12.8 percent or by RMB19.6 trillion to RMB172.7 trillion, an acceleration of RMB2.8 trillion from the increase in the previous year. The quarterly readings of new loans were RMB7.1 trillion, RMB5.0 trillion, RMB4.2 trillion, and RMB3.4 trillion respectively, accelerating by RMB1.3 trillion, RMB1.1 trillion, RMB211.1 billion, and RMB191.1 billion, showing a stabilizing trend. Medium- and long-term loans to the manufacturing sector and loans to micro and small businesses (MSBs) recorded a rapid growth. Loans to enterprises and public entities grew by RMB12.2 trillion, accelerating RMB2.7 trillion. Medium and long-

term loans to the manufacturing sector rose 35.2 percent, accelerating for fourteen consecutive months. Outstanding inclusive loans to MSBs amounted to RMB15.1 trillion, up 30.3 percent and 7.2 percentage points faster than in 2019. These loans supported 32.28 million MSBs, an increase of 19.4 percent. In 2020, inclusive loans to MSBs rose RMB3.5 trillion, RMB1.4 trillion more than the growth in 2019.

Deposits with financial institutions grew rapidly

Outstanding domestic and foreign currency deposits with financial institutions amounted to RMB218.4 trillion, up 10.2 percent, accelerating by 1.6 percentage points. Outstanding RMB deposits registered RMB212.6 trillion, up 10.2 percent, representing an acceleration of 1.5 percentage points. Outstanding deposits in foreign currencies posted US\$889.3 billion, up US\$131.5 billion, an acceleration of US\$101.3 billion.

Money market interest rates remained stable

In December 2020, the monthly weighted average interest rate on interbank lending and pledged repos was 1.3 percent and 1.36 percent respectively, down 79 basis points (bps) and 74 bps year on year. The monthly weighted average interest rate on pledged repos of sovereign and quasi-sovereign bonds among deposit-taking institutions posted 1.14 percent, 22 bps lower than that on pledged repos. At end-2020, the overnight and 1-week Shibor was 1.09 percent and 2.38 percent respectively, down 60 bps and 36 bps year on year.

The weighted average interest rates on loans hit a record low

In December 2020, the 1-year and 5-year loan prime rates (LPR) fell 0.3 percentage points and 0.15 percentage points respectively from December 2019 to 3.85 percent

and 4.65 percent. The weighted average lending rate recorded 5.03 percent, down 0.41 percentage points year on year to a record low. In particular, the weighted average interest rate on general loans registered 5.30 percent, down 0.44 percentage points year on year. The weighted average interest rate on enterprise loans fell by 0.51 percentage points year on year to 4.61 percent, a drop larger than that of the LPR during the same period, hitting a record low for the second successive month.

Bond market yields reversed the earlier decline, with the cost of bond financing decreasing

The yields on government bonds rebounded following the decline in the first four months. The yields on 1-year and 10-year government bonds increased by 11 bps and 1 bp respectively from end-2019. Credit spreads on 3-year AAA and AA short-to-medium-term bills widened by 3 bps and 52 bps respectively. In 2020, the average rate on 10-year bonds issued by the Ministry of Finance (MOF) and that on 10-year financial bonds issued by China Development Bank were 2.93 percent and 3.31 percent respectively, 24 bps and 26 bps lower than the rates in 2019. The average rate on 1-year short-term financing bills (rated A-1) issued by AAA enterprises was 2.82 percent, 58 bps lower than that in 2019.

Bond indexes fluctuated slightly, while stock indexes went up

At end-2020, the ChinaBond Treasury Bond Aggregate Index closed at 195.19, increasing by 5.05; and the ChinaBond New Composite Index (Full Price) closed at 119.00, decreasing by 0.08. The total interbank bond index closed at 203.66, up 2.96 percent from the end of 2019. At end-2020, the Shanghai Stock Exchange (SSE) Composite Index closed at 3 473.07, up 422.95 points or 13.9 percent, while the Shenzhen Stock Exchange Component Index closed at 14 470.68, up 4 039.91 points or 38.7 percent.

RMB exchange rate moved in both directions with greater flexibility

The RMB exchange rate moved in two ways, driven by market supply and demand, and remained basically stable at an adaptive and equilibrium level. At year-end, the China Foreign Exchange Trade System (CFETS) RMB exchange rate index and the RMB exchange rate index against the Special Drawing Right (SDR) currency basket were 94.84 and 94.23 respectively, appreciating 3.78 percent and 2.64 percent in the year. According to the Bank for International Settlements (BIS), the RMB nominal and real effective exchange rates (NEER and REER) appreciated 4.05 percent and 3.33 percent in 2020. Since the launch of RMB exchange rate regime reform in 2005 until the end of 2020, the RMB NEER and REER appreciated 37.67 percent and 51.32 percent respectively. At end-2020, the central parity of the RMB exchange rate against the US dollar closed at 6.5249 per dollar, appreciating 6.92 percent from end-2019 and 26.84 percent cumulatively since the 2005 exchange rate regime reform. In 2020, the annualized volatility of CNY/USD was 4.5 percent.

The balance of payments maintained a basic equilibrium

In 2020, the current account registered a surplus of

US\$274 billion, about 1.9 percent of GDP, which was consistent with the average level in recent years and remained within a reasonable and balanced range. Specifically, trade in goods recorded US\$515 billion surplus, up 31 percent. It was chiefly attributed to China's great efforts in promoting resumption of business and production amid the COVID-19, which helped bridge the gap in global output and meet the global demand for COVID-19 response supplies. Trade in services registered a deficit of US\$145.3 billion, narrowing by 44 percent, mainly due to the rapid decline in travel expenditures caused by restrictions on cross-border travels. Financial accounts excluding reserve assets witnessed both inflows and outflows, running a deficit of US\$77.8 billion. In particular, direct investment and portfolio investment posted a surplus of US\$102.6 billion and US\$87.3 billion respectively, while other investments registered a deficit of US\$256.2 billion. Given the overall equilibrium of the balance of payments, the outstanding foreign exchange reserves remained at around US\$3.2165 trillion, with monthly fluctuations mainly due to non-transaction factors such as changes in asset prices and exchange rates. In general, China's balance of payments gradually moved close to a self-sustained equilibrium in recent years, and presented a balanced development pattern with both inflows and outflows, featuring strong resilience and robustness.

FINANCIAL STABILITY AND DEVELOPMENT COORDINATION



In 2020, China was faced with significant challenges including an unfavorable external environment, the arduous reform, development and stabilization agenda, as well as the COVID-19. Against this backdrop, the Financial Stability and Development Committee (FSDC) followed the decisions and plans of the CPC Central Committee and the State Council and promptly ensured their implementation in the financial sector. The PBC performed its responsibilities as the Office of the FSDC, organized and prepared FSDC meetings, improved working mechanisms continuously, and strengthened the coordination and supervision among relevant parties. The PBC implemented the decisions and plans of the CPC Central Committee and the State Council concerning the financial work as well as the working program adopted by the FSDC by taking into account the COVID-19 response and economic and financial developments.



Strengthened the financial sector's support for COVID-19 response and economic recovery

Faced with the enormous difficulties caused by the COVID, the Office of the FSDC (hereinafter referred to as the Office) followed through the guidelines of "stabilizing expectations, expanding aggregates, adopting differentiated approaches, emphasizing loan roll-overs, and innovating instruments." It also played an active coordinating role by advancing the targeted and effective implementation of financial support policies for COVID-19 containment as well as social and economic development. First, it enhanced countercyclical adjustments, and guided the reasonable growth of money supply, credit and AFRE. The RRR cut on three occasions released RMB1.75 trillion of additional long-term liquidity, together with liquidity sterilization measures totalling over RMB9 trillion. Efforts were also made to guide down the bid rates on open market operations and medium-term lending facility (MLF), resulting in a synchronous decline of the 1-year LPR.

Under its timely guidance, the money market interest rates remained reasonably flexible. Second, the Office carried out innovative measures that precisely targeted the real economy and helped secure employment and keep enterprises afloat. It introduced RMB300 billion special central bank lending, with interest subsidized through central budget; RMB500 billion central bank lending and rediscount to facilitate resumption of business and production; and RMB1 trillion central bank lending and rediscount for inclusive finance. In addition, it developed two monetary policy instruments that directly support the real economy, and encouraged banks to defer debt service on corporate loans and to issue unsecured inclusive MSB loans. Third, banks were prompted to increase provisions and replenish capital proactively to better serve the real economy. Central bank bills swap (CBS) operations were conducted to support city commercial banks to issue perpetual bonds for capital replenishment. It also assisted local governments in helping small and medium-sized banks replenish their capitals through quotas for special local government bonds.

Coordinated the prevention and resolution of major financial risks

In 2020, the task of preventing and controlling financial risks was daunting amid severe internal and external shocks. Under the direct leadership of the FSDC, the Office set the critical battle of preventing and resolving major financial risks as its top priority, enhanced the coordination among members, and facilitated the implementation of the local coordination mechanism to ensure holistic and synergized efforts in this critical battle. The first was to forestall, defuse and resolve risks on an on-going basis. The Office fulfilled key tasks in this critical battle, including urging all relevant parties to carry out the action plan, dividing the tasks for the next stage, and closely overseeing the implementation of all tasks. Great efforts were also made to monitor, assess, and provide early warnings of systemic risks, as well as to improve the financial risk prevention, early warning, resolution and accountability systems to resolve financial risks pursuant to relevant laws and regulations and in a timely and effective manner. The second was to promote the normal functioning of the capital market. Under the guidance of the FSDC, the Office advised that the stock market open as usual after the Spring Festival in 2020 in accordance with market principles and the rule of law. It proposed relevant plans, organized the implementation efforts, and guided expectations, which ensured smooth trading after the market reopened.

The Office urged the crackdown on violations of laws and regulations in the capital market and promoted the zero-tolerance stance towards such violations. It refined the mechanism to handle bond defaults in line with market principles and the rule of law to maintain the orderly and stable functioning of the bond market. The third was to foster financial innovation under prudential regulation. Following the guidelines of the Central Economic Work Conference, it stepped up the efforts to formulate relevant measures, refine regulatory requirements, and tighten the regulation on payments, credit information, small Internet

loans, and financial holding companies with an aim to prevent monopoly and the disorderly expansion of capital. The fourth was to continue building a robust regime for financial risk and regulation. Adhering to market principles and the rule of law in resolving financial risks, the Office focused on setting rules and addressing weaknesses while filling financial regulatory gaps by establishing basic laws, regulations, and regulatory systems. With efforts across the board, considerable progress was made in preventing and resolving major financial risks, and in effectively arresting the rise of such risks.

Coordinated the reform and opening-up of the financial sector

In collaboration with the PBC, the CBIRC, the CSRC, and the State Administration of Foreign Exchange (SAFE), the Office earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, and deepened financial reform and opening-up. First, it upheld the principles of “institution building, non-intervention and zero-tolerance,” and further deepened the reform and opening-up of financial markets. Following the new *Securities Law*, it pressed ahead with the pilot reform of the SSE STAR Market, the ChiNext, and the National Equities Exchange and Quotations (NEEQ). It also deepened the reform of the delisting system to clamp down on violations of securities laws. Second, it improved the top-level design for financial institutional reform and rolled out financial reform and opening-up measures. Focusing on resolving problems, it proposed workable and effective reform initiatives and facilitated their implementation as they become feasible on a case-by-case basis. Great importance was attached to the rollout of a number of reform initiatives, including banking reform, capital market reform, the improvement of the financial ecosystem, and the two-way opening-up of the financial sector. During the 2020 National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC), the Office announced 11 financial reform measures to

motivate financial institutions to reinforce their support for MSMEs, actively promote a multi-layered capital market, and improve the financial ecosystem. Third, it further opened up the financial sector. Caps on foreign ownership of futures firms and life insurers were removed on January 1, and the foreign ownership caps on funds and securities companies were lifted on April 1. The quota limits on the qualified foreign institutional investors (QFIs) were fully lifted on June 6, while the quota for qualified domestic institutional investors (QDIs) was made available on a regular basis to further open up the bond market.

Enhanced the coordination between central and local financial regulation

Since its establishment in January 2020, the Office's local coordination mechanism – a major move to improve the modern financial regulation system and coordinate financial regulation efforts – has played a positive role in central and local financial regulation, risk resolution, information sharing, and consumer protection. First of all, with local economic and financial development in mind,

the Office facilitated information exchange, coordination and communication, implementation monitoring, surveys and research to fight the COVID-19, safeguard supply, and protect market players. The Office ensured the central government's financial support policies were implemented in a well-targeted and effective manner by encouraging local governments to introduce supporting policies. Second, the Office coordinated the CBIRC, the CSRC and the SAFE agencies, the provincial financial authorities, and the provincial development and reform authorities and fiscal departments to form synergy in financial regulation. Third, in response to acute potential risks faced by the local financial sector, the Office cooperated with local governments to implement action plans to prevent and resolve major financial risks, and redoubled its efforts in information sharing and local financial risk assessment. Overall, the Office's local coordination mechanism and the local government's communication and coordination mechanism on financial work, with respective focuses, jointly improved the financial environment and stabilized the local economic and financial development.

MONETARY POLICY



In 2020, facing the complex and serious situations at home and abroad, especially the severe impact from the COVID-19, the PBC, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council, rose to challenges, and responded proactively with stronger macro policies. The sound monetary policy was flexible, appropriate and targeted. Remaining committed to the specific goals of maintaining an appropriate aggregate policy, notably lowering financing costs, and supporting the real economy in the face of great uncertainties, the PBC flexibly managed the intensity, pace and focus of policy adjustments, ensured stability on six fronts, namely employment, the financial sector, foreign trade, foreign investment, domestic investment and expectations, and maintained security in six areas, namely, employment, people's basic livelihood, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments, hence creating a proper monetary and financial environment for achieving decisive success in the building of a moderately prosperous society in all respects.



Monetary policy responded promptly and forcefully based on scientific decision-making

In 2020, based on the characteristics of COVID-19 containment and recovery of the economy and society at different stages, the PBC adjusted in time the intensity and pace of policy, and used a wide range of policy tools, including RRR cuts, central bank lending, rediscount, the MLF, and open market operations (OMOs), to keep liquidity adequate at a reasonable level and maintain reasonable growth of money supply and AFRE. These measures not only helped ensure stable performance of the financial system and satisfy emergency liquidity needs arising from guaranteeing supplies and resuming business and production during the outbreak of the COVID-19, but also gradually restored total liquidity to its normal level during the course of the economic and social recovery. In the meantime, by announcing monetary policy arrangements

in advance and other means, the PBC strengthened expectation management. Under the guidance of the PBC, the rates on the MLF and OMOs dropped by 30 bps and market interest rates moved around the central bank policy rates, with the central role of policy rates brought into full play. The 1-year LPR also declined accordingly.

Monetary policy responded creatively and provided direct and targeted support to stabilize businesses and secure employment

In light of the needs of COVID-19 containment and economic development, the PBC provided RMB1.8 trillion liquidity support on three occasions, respectively RMB300 billion special central bank lending, RMB500 billion central bank lending and rediscount, and RMB1 trillion central bank lending and rediscount, to help fight the COVID-19, ensure adequate supplies, resume business and production, and develop the real economy, including

MSMEs. The PBC constantly improved the set of structural monetary policy tools, and launched two innovative tools enabling direct support for the real economy to bolster the development of MSMEs, with two prominent features of being direct and targeted. It teamed up with the CBIRC, MOF, NDRC and the Ministry of Industry and Information Technology (MIIT), to issue the *Notice on Issues Concerning Extension of the Policy of Deferred Repayments of the Loan Principal and Interest on Inclusive Loans and the Support Policy of Providing Unsecured Loans to Micro and Small Enterprises*, effectively alleviating the financing difficulties of MSBs.

The market-based reform of interest rates and exchange rate formation regime was deepened, driven by reform and opening-up

The PBC smoothed the transmission of monetary policy through reforms and continued to push forward the LPR reform. The work of shifting the pricing benchmark for outstanding floating-rate loans, which began as scheduled, was completed successfully. With the determination to remove the implicit floor of lending rates, the PBC promoted the LPR and greatly enhanced the transmission efficiency of interest rates. The lending rates remained at low levels, creating favorable conditions for financial institutions to waive profits of RMB1.5 trillion in favor of the real economy. The LPR reform promoted optimization of the financial structure, smoothed the internal pricing mechanism of banks, and effectively facilitated the market-based reform of deposit rates, as indicated by the overall decline of deposit rates. The market-oriented reform of exchange rate formation regime was further promoted to improve the managed floating exchange-rate regime based on market supply and demand and with reference to a basket of currencies, maintain exchange rate flexibility, and make the exchange rate an automatic stabilizer for the macro economy and the balance of payments. Efforts were also made to deepen the foreign exchange administration reform, boost the two-way opening-up of the financial

market, facilitate receipts and payments for trade, and reinforce the administration of the foreign exchange market.

Market expectations were proactively stabilized

With an announcement made during the Spring Festival, the PBC provided RMB1.7 trillion short-term liquidity to the financial market within two days after the Spring Festival holiday when the market reopened, which effectively stabilized market expectations. Attaching importance to expectation management, the PBC improved institutionalized ways of communicating monetary policy. It strengthened market communication through various means, such as posting in advance the operation plan in the *Announcement of Open Market Operations*, and ironed out short-term disruptions in a timely manner. With solid work done to publicize and interpret policies when introduced, the PBC responded to concerns from enterprises, market and all sectors of society in time, thereby improving the transparency of monetary policy. As a result, stable market expectations enabled financial institutions to trim down their precautionary demands for liquidity. At end-2020, the excess reserve ratio of financial institutions registered 2.2 percent, down 0.3 percentage points from the end of the previous year. The PBC took an active part in the international coordination of monetary policies, advanced the reform of the international monetary system as well as financial regulation and supervision, while improving the RMB exchange rate formation regime and promoting two-way opening-up of the financial sector.

Financial risks were kept at bay and the bottom line of preventing systemic risks was safeguarded in line with market principles and rule of law

The PBC strove to ease the impact of the COVID-19 and achieved significant progress and outcomes in the resolution of high-risk small and medium-sized financial

institutions. The reform and restructuring plans of key financial institutions, including Hengfeng Bank and Jinzhou Bank, were carried out smoothly. Baoshang Bank was also smoothly placed under the reform and restructuring procedure. Mengshang Bank and Huishang Bank that undertook to purchase Baoshang Bank and take over its business were operating smoothly with adequate capital. The regulatory actions ensured the sound operation of the financial system during the critical and sensitive period and safeguarded the bottom line that no systemic risks should occur. The PBC advanced the reform plans for development and policy financial institutions across the board to redefine their responsibilities and the scope of business, improve corporate governance, strengthen the incentive and restraint mechanism, and prevent financial risks. It guided development and policy financial institutions to fulfill their responsibilities, focus on their main business, and give full play to their role in supporting economic restructuring and high-quality development.

Overall, the sound monetary policy, which was forward-looking, proactive, precise and effective, provided strong support for China to take the lead in containing the COVID-19, resuming business and production, and achieving positive economic growth. The PBC adopted a multi-pronged approach to guide the financial sector to waive RMB1.5 trillion of profits in support of the real economy, with monetary policy objectives achieved. With a further improved credit structure, overall financing costs for enterprises witnessed a significant drop. Based on market supply and demand, the RMB exchange rate represented greater flexibility in both directions and remained basically stable at an adaptive and equilibrium level.

Outlook for monetary policy

In 2021, the PBC will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and will fully implement the guidelines of the Fifth Plenary Session of the 19th CPC Central

Committee and the Central Economic Work Conference. It will firmly implement the decisions and arrangements of the CPC Central Committee and the State Council by adhering to the general principle of pursuing progress while ensuring stability. It will follow the requirements of the new development stage, apply the new development philosophy, and foster a new development paradigm. Giving top priority to ensuring stability, the PBC will focus on the priorities, defend the bottom line, and live up to its responsibilities in an effort to build on the success achieved in COVID-19 containment as well as in economic and social development, while maintaining policy continuity, stability, and sustainability. Work will also be done to improve macroeconomic governance, to modernize central bank system, to conduct intertemporal policy design, to achieve a balance of economic aggregates, and to promote structural optimization as well as both internal and external equilibrium. Moreover, the PBC will continue to do its part well in ensuring stability on six fronts and in maintaining security in six areas, thereby contributing to a good start for the establishment of a new development paradigm and bringing on a new look. First, the sound monetary policy will be flexible, targeted, reasonable, and appropriate, giving top priority to ensuring stability and refraining from taking sharp turns. At the same time, the PBC will manage the timing, intensity, and effectiveness of policy, properly balance the need for economic recovery and risk prevention, and keep liquidity adequate at a reasonable level and the macro leverage ratio basically stable. In the process, flexible adjustments will be made as necessary to the intensity, pace, and focus of policy to accommodate changes in the circumstances. Second, the role of structural monetary policy tools in targeted liquidity provision will be deployed as appropriate. The PBC shall increase financial support for sci-tech innovations, MSBs, and green development, innovate and improve the system of structural monetary policy tools, design the incentive compatibility mechanism in a targeted way while building the systems and mechanisms needed to provide effective financial support for the real economy. Third, the PBC will enhance the market-based interest rate formation

and transmission mechanism by improving the central bank policy rate system and deepening the LPR reform. It will also consolidate the achievements made in lowering real lending rates and will stabilize and reduce overall financing costs for enterprises. Fourth, the PBC shall take steady steps to deepen the market-based exchange rate reform. By enabling the market to play a decisive role in the formation of the RMB exchange rate and by enhancing macro-prudential management, the PBC will increase the flexibility of the RMB exchange rate and keep it basically stable at an adaptive and equilibrium level. Fifth, the PBC will step up fundamental institution building in financial markets, support private enterprises to tap bond financing, promote the harmonization of standards for information disclosure of corporate bonds, and expedite

the interconnectivity of bond market infrastructures. Sixth, the PBC will push further ahead with the reform of financial institutions and make continued efforts to improve corporate governance, establish modern financial enterprise institutions with Chinese characteristics, and optimize financial services. Seventh, the PBC will improve the systems of financial risk prevention, early warning, resolution, and accountability to safeguard financial security and hold all relevant parties accountable. It will build a sound and sustainable bank capital replenishment mechanism, prop up the issuance of perpetual bonds by small- and medium-sized banks to supplement their capital, and strengthen monitoring and analysis as well as expectation management, to defend the bottom line that no systemic financial risk should emerge.

Deepening the LPR Reform to Encourage the Financial Sector to Waive Profits in Favor of the Real Economy

Box

In accordance with the arrangements of the CPC Central Committee and the State Council, the PBC continuously advanced the LPR reform in 2020, resulting in a significant decline of the interest rate on newly issued loans driven by falling LPR. The shift in pricing benchmark for outstanding floating-rate loans was kicked off as scheduled and completed successfully, which further smoothed the internal interest rate transmission channels of banks and made deposit rates more market-based. Significant results were made in reducing enterprise financing costs through reform, effectively facilitating the financial sector to give up profits in favor of the real economy, and thus providing a sound environment for COVID-19 containment as well as economic and social development. In the next step, the PBC will continue to focus on deepening LPR reform, promote the shift from a "dual-track"

to a "single-track", and improve the market-based interest rate formation and transmission mechanisms. It will deepen the financial supply-side structural reforms and speed up the building of a new development paradigm, to promote high-quality economic development.

I. Continued to promote the LPR reform and removed institutional barriers

Since 2020, faced with the highly uncertain situations due to the COVID-19, the PBC resolutely pressed ahead with the LPR reform, removed the institutional barriers to development through reform, improved the transmission efficiency of monetary policy, and optimized the credit structure, which strongly supported COVID-19 containment as well as economic and social development.

First, the PBC guided the decline of LPR and completely removed the implicit floor of lending rates. Based on accurate assessment of the COVID-19 situations, the PBC made timely responses. By taking a forward-looking view, the PBC guided the rates on OMOs and the MLF to drop by 30 bps, driving down the 1-year LPR and lending rates as well. It urged banks to fully remove the implicit floor of lending rates, facilitated the transmission of monetary policy to lending rates, made the lending markets more competitive, and increased financial support for MSBs.

Second, the PBC encouraged the use of LPR and completed the shift in pricing benchmark for outstanding loans. It urged banks to mainly refer to the LPR in pricing loans and incorporate the LPR into the internal fund transfer pricing (FTP), thus facilitating the transmission of lending rates within banks. In March 2020, the shift in pricing benchmark for outstanding floating-rate loans started as scheduled in line with market principles and the rule of law, and was completed in August 2020, which effectively protected the rights and interests of both lenders and borrowers, and reduced interest expenses on outstanding enterprise loans.

Third, the PBC maintained the market pricing order and created synergy for deepening the LPR reform. It fully tapped the role of self-regulatory mechanism for market rate pricing, urged banks to regulate deposit rate pricing, reduced irregular "innovative" deposit instruments, and included structured deposits into self-regulatory management of interest rates. It enhanced the management over interbank negotiable certificates of deposit and the issuance and trading of certificate of deposit, to

stabilize banks' liability costs. It also encouraged explicit indications of annualized lending rates to protect the rights and interests of financial consumers and ensure orderly competition in the lending market. The PBC actively participated in international benchmark interest rate reform and issued a white paper entitled *Participating in International Benchmark Rate Reform and Building China's Benchmark Rate System*.

II. Achieved significant results in the LPR reform, and prompted the financial sector to waive profits in favor of the real economy

After a year of continuous advancement, the LPR reform has achieved important results, with far-reaching effects.

First, the decline of LPR led to a significant decrease of lending rates. The LPR, which fully reflects market-based principles, has played a directional and guiding role. In December 2020, 1-year and 5-year LPRs were 3.85 percent and 4.65 percent respectively, falling by 0.3 and 0.15 percentage points respectively in the year. The decline of LPR has led to considerably lower rates on enterprise loans, motivating the financial sector to cut profits in favor of the real economy. Meanwhile, with the implicit floor of lending rates removed, the excess returns on loans to large enterprises declined remarkably, prompting banks to increase support for MSMEs, which further optimized the financial structure.

Second, the LPR has become the pricing benchmark for loans. Financial institutions have already used the LPR as a benchmark for pricing the overwhelming majority of newly issued loans, and the shift in pricing benchmark of

outstanding floating-rate loans was completed at the end of August 2020, covering 92.4 percent of outstanding loans. Among them, 91 percent used the LPR as a pricing benchmark. Banks are now using the LPR as the benchmark for pricing new loans and outstanding loans. As a result, any changes in the LPR will affect most lending rates, further improving monetary policy transmission.

Third, the internal pricing mechanism of banks was optimized. As the LPR reform deepens, the market-based LPR has also replaced the existing benchmark lending rate as the major benchmark for FTP. After reforms, all national banks have established the FTP system, and realized the co-movement between FTP and LPR. Most locally incorporated financial institutions have also established the FTP system, and an increasing number of them have also included the LPR in the FTP.

Fourth, the effort to promote market-based deposit rates witnessed progress. The lending rates have dropped significantly since the start of the LPR reform. To match the income from assets, banks need to cut the costs of liabilities, which reduced their incentives to attract deposits with higher rates, resulting in falling deposit rates. In December 2020, the weighted average interest rates on 3-year and 5-year deposits dropped to 3.67 percent and 3.9 percent respectively, down 5 bps and 16 bps from end-2019.

In December 2020, the weighted average lending rate on enterprise loans hit an all-time low of 4.61 percent, a year-on-year drop of 0.51 percentage points, outstripping the decline of the 1-year LPR

during the same period. In 2020, the financial sector forewent profits by RMB1.5 trillion in support of the real economy through lower interest rates, fee cuts, and deferrals of debt service. The average interest rate on new inclusive MSB loans stood at 5.88 percent, down 0.82 percentage points from that of last year.

In the next stage, the PBC will establish a modern central bank system as called for by the Fifth Plenary Session of the 19th CPC Central Committee, and improve the mechanisms for money supply management and market-based interest rate formation and transmission. It will improve the central bank policy rate system, which takes the interest rates on OMOs as short-term policy rates and the MLF rates as medium-term policy rates, so as to enhance the interest rate corridor and guide the movement of market rates around the central bank policy rates. The LPR reform will deepen so that deposit rates will gradually become market-based and the central bank policy rates will be transmitted more smoothly through market rates to lending and deposit rates. By bringing into play the important role of market-based rates in the allocation of financial resources, the PBC will improve the competition in the credit market for MSBs and private enterprises, and channel more financial resources to MSBs and private enterprises. It will deepen the financial supply-side structural reforms, foster virtuous circles in which the financial system and real economy can boost each other and develop together, and speed up the building of a new development paradigm, thereby promoting high-quality economic development.

MACRO-PRUDENTIAL POLICY

In 2020, the PBC expedited the development of a sound macro-prudential policy framework by providing a top-level design for the macro-prudential management in a move to prevent the procyclical build-up of systemic financial risks as well as stem risk contagion across institutions, industries, markets, and borders. It established a sound regulatory framework for financial holding companies, bringing financial holding companies formed via the investment by eligible non-financial enterprises under regulation. It also improved the regulatory system for systemically important financial institutions, and strengthened the regulation over systemically important banks, to prevent the risk of “too big to fail”.

Established a sound macro-prudential policy framework

The PBC set up a countercyclical capital buffer mechanism. In September 2020, the PBC and CBIRC jointly issued the *Notice on Establishing the Mechanism of Countercyclical Capital Buffer*, specifying the establishment of a countercyclical capital buffer mechanism and setting the initial ratio for countercyclical capital buffer of banking financial institutions at zero in an effort to improve China's macro-prudential policy framework and diversify the macro-prudential policy toolkit. Such mechanism could help promote the sound operation of banking financial institutions, and reduce the negative impact of procyclical fluctuations and unexpected shocks, thus safeguarding the stability of China's financial system.

The PBC exercised macro-prudential management in key fields including real estate finance, exploring gradually the inclusion of major financial activities, financial institutions, financial markets and financial infrastructures into macro-prudential management. To fully meet the requirements of prudential management system for real estate finance, promote the financial supply-side structural reform, improve

the resilience and stability of China's financial system, and facilitate the stable and sound development of the real estate market, the PBC and CBIRC issued in December 2020 the *Notice on Establishing a Management System for Real Estate Loan Concentration for Banking Institutions*, which set up a management system to address the concentration issue of real estate loans and put a cap on the share of real estate loans and personal housing loans in the total loans of banking institutions.

Established the regulatory framework for financial holding companies

In September 2020, the PBC promulgated the *Trial Measures on the Supervision and Regulation of Financial Holding Companies*, which came into effect on November 1, to establish a sound regulatory framework for financial holding companies. The measures specified the rules for market access of FHCs formed via the investment by non-financial enterprises as well as comprehensive, on-going and look-through regulation on the capital, behaviors and risks of FHCs. It would help effectively separate industrial businesses from financial businesses, prevent risk contagion across institutions, industries and markets,

promote the regulated development of FHCs, and improve the quality and efficiency of financial services for the real economy.

Improved the regulatory framework for systemically important financial institutions

In December 2020, the PBC and the CBIRC jointly issued the *Measures for Assessment of Systemically Important Banks* ("Assessment Measures"), which established the

mechanism for assessing and identifying systemically important banks (SIBs), and refined the management framework for China's systemically important financial institutions. The Assessment Measures clarified the indicators, procedures, and respective responsibilities in the assessment of SIBs in China. As the basis for SIB identification, the Assessment Measures also serves as the basis for imposing additional regulatory requirements on SIBs, drafting recovery and resolution plans, and implementing early remediation mechanism.

CREDIT POLICY



In 2020, in accordance with the decisions and plans of the CPC Central Committee and the State Council and following the fundamental requirement of providing better financial support to the real economy, the PBC strengthened macro-credit policy guidance, extended all-out support to stabilizing businesses and securing employment, and helped win the tough battle against poverty. While implementing a differentiated credit policy that emphasizes both support and restraint, it motivated 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.



Mobilized financial resources to support COVID-19 containment

The PBC played a leading role in publishing the *Notice on Further Strengthening Financial Support for Containing the COVID-19*, proposing 30 financial support measures. It aimed at encouraging financial institutions to offer differentiated preferential financial policies for regions, industries, enterprises and households heavily hit by the COVID-19 and to further strengthen financial support for its containment. It introduced RMB300 billion special central bank lending to support COVID-19 containment, guided its branches and sub-branches to assist enterprises in quickly connecting with banks, urged commercial banks to extend loans in a fast and targeted manner, and reinforced coordination with the National Development and Reform Commission (NDRC), MIIT and other departments, to constantly refine the mechanism for extending special central bank lending.

Provided financial support for the decisive victory against poverty

Following the message in the important speech by General Secretary Xi Jinping at the Symposium on Securing a

Decisive Victory in Poverty Alleviation, the PBC prompted the financial sector to facilitate poverty alleviation, support the effort to lift severely impoverished regions out of poverty, and implement policies on targeted financial support for poverty alleviation in 2019-2020. It convened the national video and teleconference on targeted financial support for poverty alleviation, and held a video conference on "Exerting the Utmost Efforts and Fighting for 100 days to Achieve Complete Success in Targeted Financial Support for Poverty Alleviation", to press ahead with poverty alleviation through financial support in the final phase. It stepped up support with monetary and credit facilities, further prioritized the support to severely impoverished regions and counties listed for supervision of poverty relief, and strived to provide comprehensive financial services for relocation of impoverished residents. In addition, the PBC helped poverty-stricken regions to develop featured industries and endeavored to prevent risk, which achieved positive results. From the beginning of the battle against poverty, RMB668.8 billion of central bank lending was provided for poverty alleviation projects and RMB9.2 trillion of loans were issued by the financial sector for targeted poverty alleviation projects, supporting more than 90 million people in poverty.

Further deepened financial services to private enterprises and MSBs

The PBC studied and promulgated policies and measures to strengthen financial support for MSMEs, and coordinated the efforts of financial sector to boost financing for private enterprises and MSBs. It launched two monetary policy instruments directly benefiting the real economy, namely a support instrument to defer the service of inclusive MSB loans, and a support scheme for unsecured loans, under which financial institutions were encouraged to defer repayments of inclusive MSB loans as much as possible, and to provide more unsecured loans to help market entities including MSMEs resume business and production. The PBC led the effort in publishing the *Guiding Opinions on Further Strengthening Financial Services for Micro, Small and Medium-Sized Enterprises*, launched the project for enhancing commercial banks' capability to better serve MSMEs, tapped policy synergy, innovated ways to connect government, banks and enterprises, and stepped up policy outreach, in an effort to allow MSMEs greater access to loans at a lower price. It also gave full play to the role of bond market in supporting financing, enhanced services for supply chain finance, and promoted accounts receivable financing by MSMEs. At end-2020, outstanding inclusive MSB loans recorded RMB15.1 trillion, a year-on-year increase of 30.3 percent.

Enhanced financial services for rural rejuvenation

The PBC allocated RMB20 billion special central bank lending to support rural development and propped up bank loans to expand hog farming. Efforts were also made to expand the scope of collaterals and pledges for rural areas according to laws, scale up loans secured against the management rights of contracted rural land, and press ahead with using plants and large farm machinery as well as livestock and poultry as collaterals for lending. The PBC supported the Office of the Central Leading Group for Rural Affairs in introducing the *Opinions on Expanding*

Effective Investment in Agriculture and Rural Areas and Accelerating Efforts in Addressing Major Weaknesses in Agriculture, Rural Areas and Farmers, encouraged financial institutions to partner with government-backed financial guarantee institutions to increase lending in line with market principles. Thanks to expanded direct financing channels for agriculture-related fields, agriculture-related enterprises issued RMB1.58 trillion debt financing instruments in total, while financial institutions issued a total of RMB44.4 billion special financial bonds for agriculture, rural areas and farmers at end-2020. At the end of the year, outstanding agriculture-related loans reached RMB38.95 trillion, grown by 10.7 percent, 3 percentage points faster than in 2019.

Strengthened financial services for employment, entrepreneurship and education

The PBC optimized policies on guaranteed loans to start-ups, and joined hands with the Ministry of Finance and the Ministry of Human Resources and Social Security in issuing the *Notice on Further Increasing Interest Discounts for Guaranteed Loans to Start-ups to Fully Support Key Groups to Start Businesses or Seek Employment*, expanding the loan coverage, raising the maximum amount of personal guaranteed loans to start-ups to RMB200 thousand, and waiving the counter guarantee requirement for personal guaranteed loans to start-ups below RMB100 thousand. It implemented the national policies on student loans, and optimized lending terms and interest rates to further alleviate the burden on poor students. Measures were taken to improve financial services for border areas and areas inhabited by minority ethnic groups, including preferential lending rates for trade and production of goods by minorities, and provide them with additional credit supply. Working with the Ministry of Human Resources and Social Security, the PBC promoted the settlement of overdue wages of migrant workers, better served people's livelihood, and improved inclusive finance. At year-end, outstanding guaranteed loans to start-ups and student

loans posted RMB221.6 billion and RMB130.7 billion, up 53.7 percent and 10.9 percent respectively.

Continued to strengthen the financial sector's capability to serve the high-quality growth of manufacturing sector

In the macro-prudential assessment, the PBC assigned more weights to special indicators for medium and long-term loans to the manufacturing sector, strengthened window guidance, and encouraged financial institutions to innovate products and services, refine internal management and increase medium and long-term loans to the manufacturing sector, the high-tech manufacturing in particular. In 2020, outstanding medium and long-term loans to the manufacturing sector increased by 35.2 or 20.3 percentage points faster than in 2019, with growth picking up for 14 consecutive months. Specifically, the medium and long-term loans to high-tech manufacturing soared 46.7 percent, 11.5 percentage points higher than that to the whole sector.

Enhanced financial services to ramp up technological innovation

The PBC improved the financial service system for technological innovation, promoted the linkage of various kinds of financial instruments, and provided customized services to address varying technological innovation needs and for enterprises at different stages of life cycle. By the year-end, it had approved commercial banks to issue RMB59.8 billion financial bonds for innovation and entrepreneurship, supported relevant enterprises to issue RMB64.47 billion special debt financing instruments for innovation and entrepreneurship, assisted venture capital institutions in issuing RMB15.08 billion debt financing instruments, and supported the issuance of RMB9.28 trillion debt financing instruments by companies in strategically important emerging industries.

Further promoted the development of key green fields

The PBC strived to refine the policy framework on green credit, guided financial institutions to increase credit to key green fields such as renewable energy, and supported the attainment of the carbon emissions peak and carbon neutrality targets. Meanwhile, it strengthened credit window guidance for industries, tightened control over new debts and excessive market participation in industries with high energy consumption and emission, and ensured the reasonable capital requirements for industrial transformation and upgrade. As of the year-end, outstanding green loans stood at RMB11.95 trillion, up 20.3 percent from the beginning of the year. The NPL ratio was 0.33 percent, down 0.24 percentage points. In terms of sectors, outstanding loans used for green upgrading of infrastructures and loans to the clean energy industry posted RMB5.76 trillion and RMB3.2 trillion respectively, altogether accounting for 74.9 percent of green loans.

Provided quality financial services for coordinated regional development

The PBC meticulously carried out the implementation programs already released, promoted the innovative investment and financing mechanism for the Xiongan New Area, developed a rational financial industry landscape, facilitated the financial reform and opening-up, supported the high-quality planning and construction of the sub-center of the capital, and strengthened the financial policy alignment and business collaboration in the Beijing-Tianjin-Hebei Region. It advanced key work in the building of the land and sea channel in western China, while ushering in a new stage in large-scale development of the western region. Coordinated efforts were also made to provide high-quality financial services for major regional development strategies, including the revitalization of the Northeast China, the Belt and Road Initiative, the

integrated development of the Yangtze River Delta, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of the Hainan Free Trade Port.

Built a sound long-term management mechanism for real estate finance

Adhering to the principle that “housing is for living in, not for speculation”, the PBC refrained from using the real estate market as a short-term stimulus for the economy. It continued to stabilize land price, housing price and market expectations so as to ensure a continuous, consistent and stable financial policy for the real estate market. It coordinated efforts in containing the COVID-19 and preventing and defusing risks in real estate finance. 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 continuously optimize credit structure and to ensure the growth of real estate loans is properly controlled and more credit resources flow to

key and underdeveloped areas of the economy. In 2020, outstanding real estate loans grew by 11.6 percent to RMB49.6 trillion. With prudential management system for real estate finance up and running, the PBC introduced rules for fund monitoring and financing regulation on key real estate enterprises, established a sound financial policy system for residential leasing, and steadily developed real estate investment trusts (REITs) to promote steady and healthy development of the real estate market.

Provided financial services for local government debt management

Financial institutions were prohibited from providing funds to local governments in violation of laws or regulations. The PBC guided financial institutions to cooperate with local governments to properly reduce existing implicit debts. It deepened coordination and cooperation with fiscal departments, facilitated local governments to regulate debt financing, and promoted financing for key projects in line with laws and regulations.

Progress and Effects of Financial Support to Stabilize Businesses and Secure Employment

The PBC earnestly carried out the decisions and plans of the CPC Central Committee and the State Council on ensuring stability on the six fronts and advancing security in the six areas, refined the working mechanism, innovated policy design, improved public awareness of policies, and ensured policy implementation. As a result, remarkable progress has been made in financial support to stabilize businesses and secure employment, and the business operations of market players have witnessed significant improvements.

First, the PBC made overall arrangements for financial support to stabilize businesses and secure employment, and strengthened policy interpretations, implementation and transmission. In May 2020, Yi Gang, Governor of the PBC convened a PBC-wide video conference, dedicated to assigning work regarding financial support to stabilize businesses and secure employment. Four working groups were established, and an accountability system was put in place, under which one department or bureau is responsible for one province. All branches in provinces, cities and counties were required to support corresponding local governments in strengthening financial support for key enterprises. *Guidelines for Financial Support to Stabilize Businesses and Secure Employment* was issued to detail work arrangements. The PBC senior management held forums for branches and financial institutions, to urge them to boost policy implementation. Series of press conferences were organized regarding financial support for safeguarding market players, and special space was dedicated to providing in-

depth interpretation of financial support policies on PBC's website, WeChat account and Weibo.

Second, sound monetary policy responded in a timely and proper manner. The PBC adopted a mix of monetary policy tools, such as RRR cuts, central bank lending, rediscount, MLF and OMOs, to keep liquidity adequate at a reasonable level and maintain reasonable growth of money supply and AFRE. In 2020, broad money supply grew 10.1 percent, 1.4 percentage points faster than in 2019. The LPR reform continued to deliver benefits, as lending rates for enterprises fell notably. The shift in the pricing benchmark for outstanding floating-rate loans was kicked off as scheduled and completed at end-August 2020, so as to reduce interest payments by enterprises for outstanding loans. In December 2020, the lending rate for enterprises was 4.61 percent, down 0.51 percentage points year on year, bringing down significantly financing costs. RMB1.8 trillion central bank lending and rediscount was conducted in time. By the end of 2020, RMB300 billion special central bank lending, RMB500 billion central bank lending and rediscount designated for the resumption of business and production, and RMB1 trillion inclusive central bank lending and rediscount were provided, benefiting over 7 600 key enterprises, 600 thousand market players and 1.58 million market players respectively, which played a positive role in supporting COVID-19 containment, the resumption of business and production, as well as the development of the real economy, including MSMEs.

Third, monetary policy instruments were innovated to enable direct support for the real

economy. The PBC introduced the innovative policies on deferring debt service in specified periods for loans to MSMEs and the unsecured inclusive MSB loan support program. It closely monitored their implementation, refined policy details, and reported progress on a monthly basis to improve the effectiveness of policy implementation. Throughout the year, banks deferred the repayments of RMB7.3 trillion worth of loans cumulatively, including RMB6.1 trillion loans to MSMEs, and issued a total of RMB3.9 trillion unsecured inclusive loans to MSBs, up RMB1.6 trillion year on year. Inspired by the unsecured loan support instrument, the locally incorporated banks developed more unsecured loan products and services for MSBs, with the proportion of unsecured loans in the outstanding inclusive loans to MSBs reaching 16 percent at the year-end, 6.9 percentage points higher than that a year earlier. The PBC launched the project for enhancing commercial banks' capability to better serve MSMEs and facilitated the development of a long-term mechanism whereby banks have the confidence, willingness, ability and expertise to extend loans by optimizing banks' internal incentives and improving their capacity of credit service. At end-2020, outstanding inclusive MSB loans recorded RMB15.1 trillion, up 30.3 percent. In December 2020, the interest rate on new inclusive MSB loans was 5.08 percent, down 0.8 percentage points year on year. Throughout the year, inclusive loans were issued to support 32.28 million business entities, up 5.24 million.

Fourth, the PBC expanded and diversified financing channels for market players, and vigorously stepped up financial support to key fields. It established green channels for bond issuance by regions and industries severely affected by the COVID-19 as well as enterprises involved in containing COVID-19, and fully leveraged the role of instruments for supporting

bond financing by private enterprises. In 2020, RMB12.16 trillion corporate bonds were issued with a net financing of RMB4.45 trillion, RMB1.11 trillion more than the increase of the previous year. Specifically, the size of overall bond issuance and net financing of private enterprises hit a three-year high. The PBC supported the issuance of RMB373.28 billion special MSB financial bonds by 40 commercial banks, overfulfilling its target set for 2020. As guided by the PBC, more medium and long-term loans were granted to the manufacturing sector. In 2020, outstanding medium and long-term loans to the manufacturing sector rose 35.2 percent, accelerating for 14 consecutive months. While establishing a policy framework for the standardized development of supply chain finance, the PBC enabled the MSMEs to benefit from bill and accounts receivable financing. As a result, the PBC's platform for accounts receivable financing services helped MSMEs secure RMB2.1 trillion of financing in the year.

Fifth, the PBC prompted financial service institutions to cut profits in favor of enterprises, provide quality payment services, and guarantee enterprise credit information services. In 2020, the financial system achieved its goal of cutting profits by RMB1.5 trillion in favor of the real economy, through channels including interest rate cuts, the two instruments providing direct support for the real economy, fee reduction, and support for enterprises' restructuring and debt-for-equity swaps. The PBC encouraged financial institutions to grant more small loans at preferential rates within the year to MSBs and self-employed businesses in the service industry, which were used specifically to pay rent. It urged interbank market infrastructure institutions to reduce or waive fees for private enterprises, MSBs and institutions in Hubei province, among other market players, and prompted

commercial banks, payment institutions and clearing houses to reduce or waive payment service fees for regions severely affected by the COVID-19, micro and small merchants, and merchants in the consumer sector. The credit information reporting on specific groups affected by the COVID-19 was adjusted, and inquiry fees for credit information services and registration system service fees were reduced or waived.

Sixth, the PBC created new ways to link governments, banks and enterprises in a move to provide targeted support to enterprises. The branches and sub-branches of the PBC stepped up communication and coordination with local government departments, sorted out and collected the financial service needs of enterprises in key fields and industries, and innovatively conducted various activities to link governments, banks and enterprises. The PBC took part in the cooperative efforts by 17 government agencies in Hubei province in launching the campaign known as "stabilizing 100 leading industrial enterprises, 1 000 core supply chain enterprises and 10 thousand MSBs with financial services". The PBC branch and sub-branches in Shandong province launched the financial "diagnosis and treatment program", and branches in Jiangsu, Chongqing and other places vigorously organized the first-time loans campaigns. In Zhejiang province, financial institutions were urged to prepare three lists covering authorization, credit granting and due diligence & disclaiming, while in Shanghai,

Sichuan, Hunan, Liaoning, Tianjin and other regions, local information platforms and financing interfacing platforms were used to guide banks to connect with enterprises online. The China Construction Bank introduced version 2.0 of the "Huidongni" app, while the Industrial and Commercial Bank of China launched ICBC Business Matchmaker to provide one-stop cross-border matchmaking and financial services for domestic and overseas enterprises. Key enterprise databases covering a total of 286 thousand enterprises were established in provinces and municipalities over the year, and RMB5.7 trillion loans were extended by financial institutions, creating employment opportunities for 27.14 million people.

In 2021, the PBC will earnestly implement the decisions and plans of the CPC Central Committee and the State Council, provide constant support to stabilize enterprises and secure employment, implement sound monetary policy in a flexible, targeted and proper manner, and continue to make good use of the two monetary policy instruments which directly prop up the real economy. It will support small and medium-sized financial institutions to defer, as warranted, repayments of inclusive MSB loans in line with market principles, and increase the proportion of unsecured inclusive loans to MSBs, so as to effectively support the development of the real economy, help MSBs better cope with changes in domestic and overseas environment, and achieve stable resumption of business.

LEGAL AND LEGISLATIVE DEVELOPMENTS IN THE FINANCIAL SECTOR

In 2020, the PBC, following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, earnestly implemented the guiding principles of the 19th National Congress of the CPC and its plenary sessions, carefully studied Xi Jinping Thought on Rule of Law and the guiding principles of the central work conference on comprehensively practicing law-based governance, and thoroughly implemented the decisions and plans made by the CPC Central Committee and the State Council. In line with the work arrangements of the FSDC, it resolutely overcame the impact of the COVID-19 and pressed ahead with law-based governance in the financial sector, thereby providing a strong legal basis for fulfilling the central bank mandates.

Promoted financial legislation to improve law-based governance in the financial sector

The PBC fulfilled its responsibility for coordinating the development of important laws in the financial sector. It promoted the amendments to relevant laws, including the *Law on the People's Bank of China*, the *Law on Commercial Banks*, the *Insurance Law*, and the *Anti-Money Laundering Law*. It formulated and revised administrative regulations such as the *Regulations on Non-Depository Lending Organizations*, *Regulations on Local Financial Supervision*, and *Regulations on Non-Bank Payment Institutions*. It also cooperated with other agencies in formulating and revising laws and administrative regulations, including the *Futures Law* and *Regulations on the Prevention and Handling of Illegal Fundraising*. The PBC effectively played its role in coordinating the drafting of important legislation in the financial sector, and made progress in financial legislation through stepping up communication and coordination with relevant departments, building consensus and creating synergies.

The PBC supported the promulgation of laws and regulations such as the *Amendment (XI) to the Criminal Law* and the *Regulations on the Implementation of the Budget Law*, as well as judicial interpretations including the *Interpretation of the Supreme People's Court on Applicability of the Civil Code of the People's Republic of China Relating to the Guarantee System*.

The PBC formulated and reviewed rules and normative documents of 2020. It promulgated regulations like the *Implementation Measures of the People's Bank of China for the Protection of Financial Consumer Rights*, and normative documents including the *Administrative Measures for Information Disclosure of Corporate Debenture Bonds* and the *Rules for the Recognition of Standard Debt-Based Assets* to further consolidate the institutional foundation for fulfilling its duties. It also introduced the *Trial Measures on Regulation of Financial Holding Companies* and the *Measures for Assessment of Systemically Important Banks*, and participated in developing additional regulations on the systemically important banks and policy guidelines for

macro-prudential management, etc. to improve the basic rules of prudential regulation.

Advanced reforms to streamline administration and delegate power, improve regulation and upgrade services, and promoted law-based governance of the central bank

The PBC implemented the reform plans of the State Council to streamline administration and delegate power, improve regulation and upgrade services, and constantly improved the business environment in China. With the introduction of the *Decision of the State Council on the Implementation of Unified Registration for Pledge of Movable Property and Rights*, it carried out the reform of the unified registration for pledge of movable property and rights, and effectively supported the World Bank in its evaluation of business environment. The PBC revised the normative documents related to the reform for separating permits from the business license, while rolling out the reform nationwide. It formulated the implementation plan to comprehensively promote the notification and commitment system for certification and enterprises' business licensing, and pressed ahead with developing the "Internet + regulation" information system.

The PBC also improved the system and mechanism for law-based administration, and further standardized inspections of law enforcement and administrative penalties. It revised and released the *Measures of the People's Bank of China for the Implementation of Administrative Permits*, and explored modifying the *Rules of the People's Bank of China on Law Enforcement Inspection Procedures* and *Regulations of the People's Bank of China on the Procedures for Administrative Penalty*.

The PBC coordinated the formulation of its institution-

wide law enforcement inspection plan for 2020, intensified coordination of law enforcement inspections, vigorously pushed ahead with comprehensive law enforcement inspections, and strictly carried out special law enforcement inspections in a standardized manner. In 2020, the PBC conducted 845 law enforcement inspections, and imposed administrative penalties on 1 064 administrative counterparts with a total penalty amount exceeding RMB980 million. It properly handled administration reconsideration and administrative litigation, and provided legal services. It conducted legal reviews of government information disclosures, reports and complaints, replies to letters of petition and civil contracts to further strengthen legal consultancy.

Provided a solid legal basis for preventing and defusing financial risks

The PBC actively participated in the risk resolution of key high-risk institutions, and facilitated the improvement of relevant systems and mechanisms. It intensely participated in the full process of risk resolution, reform and restructuring of Baoshang Bank, Hengfeng Bank, Bank of Jinzhou and other problem institutions, and provided market-based and rule-based solutions on a case-by-case basis. In addition, great efforts were also made to accelerate the building of the long-term mechanism, to refine the system and mechanism for preventing, defusing and resolving financial risks.

The PBC reinforced financial regulation of platform operators. In line with the decisions and arrangements made by the CPC Central Committee and the State Council on strengthening anti-monopoly and preventing the disorderly expansion of capital, the PBC promoted the improvement of regulatory rules such as platform operators' payment, credit information, online small

loans, consumer protection, and management of financial holding companies. It conducted research on the characteristics of platform economy's competitive behaviors and anti-monopoly measures, and enhanced fair competition among platform operators in the financial sector. It promoted the amendment to the *Anti-Monopoly Law*, cooperated in formulating anti-monopoly guidelines for platform activities, and assisted anti-monopoly law-enforcement authorities in strengthening relevant enforcement on large Internet enterprises.

The PBC continued to carry out special campaigns to prevent and crack down on outbound transfers of illegal proceeds through offshore firms and underground money shops. Along with the Ministry of Public Security and the State Administration of Foreign Exchange, it issued notice of special campaigns, organized on-site promotion

meetings for special campaigns, and conduct such campaigns. Additionally, it actively cooperated with the Commission for Discipline Inspection in reporting special campaigns for the first time to the Standing Committee of the National People's Congress.

Enhanced public awareness of law-based governance

The PBC earnestly publicized law-based governance in the financial sector. It organized institution-wide in-depth publicity campaigns on Xi Jinping Thought on the Rule of Law and the guiding principles of the central work conference regarding comprehensively practicing law-based governance, and conscientiously carried out law publicity activities such as the Constitution Week publicity campaign, Civil Code, and National Security Education Day.

FINANCIAL STABILITY

Faced with the shock of the COVID-19 on the economic and financial system of China and the world at large and thus more challenging task of maintaining financial stability, the PBC adopted an approach of “pursuing progress while ensuring stability”, drawing a hard line on systemic risk prevention and constantly improving the system of financial risk prevention, early warning, resolution and accountability. It properly addressed major risks in the financial sector, creating a favorable financial environment for achieving major objectives and tasks in the 13th Five-Year Plan period, securing a decisive victory in poverty alleviation, and building a moderately prosperous society in all aspects.

Achieved significant results in forestalling and defusing major financial risks

The PBC, along with other relevant authorities, continued to push forward the critical battle against major financial risks in line with the fundamental policy of “maintaining overall stability, adopting a coordinated approach, taking differentiated measures, and defusing risks with precision”. The effective control of the rapidly rising macro leverage created room for adopting countercyclical measures in response to COVID-19. The problems with high-risk financial institutions were resolved in an orderly manner, credit risks in major fields were properly addressed, and the risks of shadow banking continued to abate. With problems disrupting financial orders rectified in an all-round way, solid progress was made in the institution building for preventing and defusing financial risks. Overall, thanks to intensive efforts, the PBC effectively curbed the rise of systemic financial risks and fundamentally reversed the diversion of financial resources out of the real economy as well as the excessive expansion of the financial leverage.

Resolved high-risk institutions in a prudent and orderly way

First, risk resolution of Baoshang Bank (BSB) was advanced in a steady and well-sequenced manner. The reform and restructuring of BSB progressed smoothly. Mengshang Bank and Huishang Bank, which entered into the purchase and assumption process with BSB, were well-capitalized and operating as usual. As BSB failed to repay debts falling due, the takeover team filed a bankruptcy petition with the CBIRC in the name of the troubled bank and the regulator approved the bank's application for entering into bankruptcy procedures. On November 23, 2020, the Beijing No.1 Intermediate People's Court ruled to accept the bankruptcy and liquidation petition of BSB, and announced the bankruptcy of BSB on February 7, 2021. Second, the program of risk resolution and restructuring of Bank of Jinzhou was implemented. The PBC, together with the CBIRC and Liaoning provincial government, promoted the reform and restructuring of Bank of Jinzhou, introduced strategic investors in line with the law, and took multiple measures to stop potential risk spillovers to

other small- and medium-sized financial institutions. In July 2020, the financial restructuring, capital increase and equity expansion of Bank of Jinzhou were completed, and the bank was preliminarily back on its feet and resumed business. Third, the risks related to Mingtian Group were properly handled. The PBC, CBIRC and CSRC jointly took over nine core financial institutions affiliated with Mingtian Group and safeguarded their stable operation with no interruption to their basic financial services, thereby pressing ahead with their asset and capital verification and restructuring smoothly. Fourth, the risk resolution of CEFC China Energy Co., Ltd. was largely completed. The PBC guided the CEFC's creditor committee of financial institutions to properly deal with the group's overseas assets, financial assets and debts involving retail creditors in line with market principles and the rule of law. In March 2020, the cluster of CEFC entities whose aggregate assets took up over 95 percent of the group's total was announced insolvent by court ruling, with all creditors compensated fairly in accordance with relevant laws. The key risk resolution tasks of CEFC were basically completed. Fifth, the risk resolution of Anbang Group basically came to an end. On February 22, 2020, the CBIRC ended its takeover of Anbang Group. On September 14, Anbang Group held a general meeting of shareholders, and decided to dissolve the company and set up a liquidation team (preparation).

Effectively addressed the risk of abnormal fluctuations in the financial market and external shocks

To address the COVID-19, the PBC worked with relevant authorities in refining and strengthening the financial stability coordination mechanism, adjusted accordingly the remit of the mechanism and key tasks, and properly handled financial work related to the COVID-19 response. It took concrete measures to maintain the stable functioning of

financial markets and support resumption of business and production through a multi-pronged approach. It continued to monitor and address external risks such as China-US trade frictions, and actively guarded against and defused risks of external shocks. It continuously assessed capital market risks, and used the instruments of financial market stress index and stress test for equity pledge financing risks to step up day-to-day risk monitoring. Together with other relevant authorities, the PBC advanced capital market reform and development, such as reform of the ChiNext board and the pilot registration-based IPO system, and improved market institutions and mechanisms by promoting the requirements of institution building, non-intervention and zero-tolerance.

Prudently promoted the transformation of asset management business

The PBC optimized the phase-in of the new regulation on asset management, established and improved the incentive and restraint mechanisms, and detailed supporting policy arrangements. It stepped up policy planning and coordination, and monitored the operation and rectification of asset management business, which ensured orderly implementation of rectification policies. The share of net-value asset management products continued to grow, while circulation of funds within the financial sector without financing the real economy continued to shrink. Asset management products' investment in non-standard assets dropped to new lows whereas the investment in standard assets including stocks and bonds increased, channeling more funds to the real economy. Meanwhile, the PBC further improved the standards and regulations for asset management business, and facilitated the improvement of sectoral supporting rules for insurance, trust and other sectors, thereby creating a favorable institutional environment for the high-quality development of asset management business.

Pressed ahead with market-based debt-for-equity swaps

Since July 2018 when RMB450.5 billion worth of funds was released through the RRR cut to support market-based debt-for-equity swaps, the PBC has been assessing work progress on a quarterly basis and organizing case sharing regularly. As of the end of 2020, after the RRR cut, debt-for-equity swaps increased in quantity and improved in quality, with 17 banks investing an additional RMB1.2 trillion in debt-to-equity swaps, 5.8 times the amount before the RRR cut. The asset-liability ratio of enterprises that conducted debt-for-equity swaps dropped by 18 percentage points on average. With market-based debt-for-equity swaps as a starting point, commercial banks supported enterprises hit by the COVID-19 to tide over temporary difficulties, facilitated the effort to supplement, extend and strengthen the industrial chain, and stepped up debt-for-equity swaps for private enterprises, manufacturing sector, strategic technology, and green and low-carbon enterprises, thereby achieving positive results in safeguarding market entities, stabilizing leverage ratios and promoting circulations.

Deepened the reform of development and policy financial institutions in an orderly manner

The PBC promoted the full implementation of reform plans for development and policy financial institutions by redefining their responsibilities and business scope. It pushed forward the separate accounting of business activities, improved the corporate governance system as well as the incentive and restraint mechanism, and strengthened internal management. It also guided development and policy financial institutions to fulfill their responsibilities, focus on their main business, promote sustainable development and improve overall risk management, so as to fully tap the role of development and policy financial institutions in supporting economic restructuring and high-quality development, thus better serving national strategies.

Strengthened continuously the monitoring and assessment of systemic risks

The PBC continued to improve the monitoring and assessment of risks in the banking, securities and insurance sectors as well as financial market. By publishing the *China Financial Stability Report (2020)* and *Regional Financial Stability Report of China (2020)*, it strengthened the monitoring and assessment of economic and financial developments at home and abroad, regional financial risks and risks from key industries, and enhanced policy interpretations to actively guide market expectations. The PBC conducted rating for over 4 300 institutions on a quarterly basis, alerted local governments and the CBIRC to risks, and urged the fulfillment of risk resolution responsibilities. Stress test was conducted on 1 550 banking financial institutions, with risk reminders provided when necessary to encourage sound business practices. It continued its risk monitoring of 567 large problem companies. In accordance with the plans of the National Security Commission of the CPC, the PBC 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 financial security risk assessment and special assessment.

Strengthened the management of central bank lending for financial stability purposes and assets involved in financial stability operations

The PBC intensified the day-to-day monitoring and administration of central bank lending for financial stability purposes, taking a number of effective measures to recover central bank lending. It actively consulted with relevant authorities, local governments and borrowers to maximize the recovery of central bank lending and protect the central bank's claims in accordance with the law. It also managed assets related to financial stability by actively urging and supporting entrusted institutions

to speed up the disposal of entrusted assets involved in financial stability operations.

Actively participated in international cooperation on financial stability

The PBC was deeply engaged with the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Central Banks and Supervisors Network for

Greening the Financial System (NGFS), the Executives' Meeting of the East Asia-Pacific Central Banks (EMEAP), and the ASEAN+3 Macroeconomic Research Office (AMRO). It actively participated in the development and implementation of reform policies and increased China's voice in making international financial rules. The PBC continued to follow the progress of relevant agencies in implementing recommendations of China Financial Sector Assessment Program (FSAP).

Significant Achievements in the Critical Battle of Forestalling and Defusing Major Financial Risks

Forestalling and defusing major risks is one of the three critical battles identified at the 19th CPC National Congress and essential to the decisive victory in building a moderately prosperous society in all aspects. In accordance with the decisions and arrangements made by the CPC Central Committee and the State Council, the financial sector, under the leadership of the FSDC, conscientiously carried out tasks and requirements with important progress made in the critical battle against major financial risks. The systemic financial risks were curbed, the diversion of financial resources out of the real economy as well as the excessive expansion of leverage was reversed, and financial risks abated and were under control in general. The stable and sound development of the financial sector has created a favorable financial environment for completing the major objectives of the 13th Five-Year Plan, securing a decisive victory in poverty alleviation, and building a moderately prosperous society in all aspects.

In 2020, while continuing to perform its responsibilities as the Office of the FSDC, the PBC, together with relevant authorities, implemented the strategy, measures and action

plan defined by the CPC Central Committee to forestall and defuse major financial risks, with significant achievements.

First, the excessive growth of the aggregate leverage was curbed. The PBC adhered to a sound monetary policy, kept liquidity adequate at a reasonable level, and pursued a reasonable growth of money and credit. In recent three years, the growth of broad money supply and AFRE was largely consistent with nominal GDP growth. While prompting enterprises to lower leverage, the PBC assisted local governments in reducing implicit debts and curbed the excessive growth of household leverage. Thanks to these efforts, the fast-rising trend of the aggregate leverage was arrested. From 2017 to 2019, the aggregate leverage stayed at around 250 percent, leaving ample room for greater counter-cyclical adjustments in response to the impact of the COVID-19.

Second, high-risk financial institutions were dealt with in an orderly manner. Risk resolution of Baoshang Bank (BSB) proceeded in a prudent and orderly way. In May 2019, the PBC and the CBIRC decisively took over the BSB after it was

exposed to serious credit risks. In April 2020, Mengshang Bank was established and started its business operation. The BSB transferred its business along with assets and liabilities to the Mengshang Bank and Huishang Bank. The Beijing No.1 Intermediate People's Court accepted the bankruptcy and liquidation petition of the BSB on November 23, 2020 and declared its bankruptcy on February 7, 2021. Bank of Jinzhou was also placed under restructuring and recapitalization process, which was completed in July 2020, resulting in a fundamental improvement of regulatory indicators and resumption of business operation. In July 2020, the PBC, in collaboration with the CBIRC and the CSRC, took over nine core financial institutions affiliated with Mingtian Group, including Tian'an Property Insurance, timely stabilized their business operations, and avoided disruptions to their basic financial services as they underwent a smooth process of asset and capital verification and restructuring.

Third, credit risks in major fields were properly mitigated. By using a combination of tools including debt-to-equity swaps, mergers and acquisitions and bankruptcy reorganizations, the PBC effectively mitigated enterprise debt risks. The PBC acted preemptively and properly managed the risk of rising NPLs in the banking sector caused by the COVID-19. It developed a contingency plan for dealing with rising NPLs and encouraged banks to increase loan loss provisioning and write-offs.

Fourth, the risk of shadow banking continued to abate. The PBC formulated new regulations on asset management and detailed implementation rules to unify regulatory standards for asset management business. Measures were also taken to establish the asset management

product statistics, adopt look-through and functional regulation, and refocus the asset management business on the original principle of sellers performing fiduciary duty and buyers taking their own risks. The PBC set and properly adjusted the phase-in period for the new regulation on asset management, and refined the supporting policies as well as the incentive and restraint mechanism, so as to enable a smooth transition. Thanks to the above efforts, the shadow banking sector shrank by a large margin and disorderly development was contained.

Fifth, financial order was fully rectified. The Internet finance, such as P2P lending, was overhauled fundamentally. Rectification of Internet-based financial activities, including asset management, equity crowd-funding, insurance, virtual currency trading and foreign exchange trading, was basically completed and these activities were brought under regular supervision. The crackdown on illegal fund-raising and similar illegal financial activities mitigated the risks posed by the chronic illegal fund-raising. Commercial banks' deposit-taking activities on third-party Internet platforms were standardized. The cleanup of various trading venues was also well underway.

Sixth, progress was made in institution building for preventing and resolving financial risks. While improving the macro-prudential framework and establishing the countercyclical capital buffer mechanism, the PBC introduced assessment measures for SIBs, released regulatory rules, including on market access, for financial holding companies, and formulated the work plan for coordinated regulation of financial infrastructures. It took steps to unify the rules for default treatment and information disclosure of corporate bonds, established a full-coverage and regular monitoring, analysis and rectification

mechanism for real estate financing, and put in place rules for managing the concentration of real estate loans.

Seventh, high-level financial sector opening-up witnessed positive outcomes. Caps on foreign ownership of banks, securities firms, fund managers, futures firms and life insurers were removed, with requirements on the qualification of foreign shareholders relaxed. QFII and RQFII quota limits were lifted to better facilitate foreign investors' participation in China's financial market. National treatment was granted to foreign-funded institutions in fields such as enterprise credit information, credit rating and payment services.

Eighth, the efficiency of financial support for the real economy was improved notably. The potential of LPR reform was constantly unlocked with financial market rates and lending rates moving downwards. The PBC boosted financial support for key areas of national economy and weak links such as poverty alleviation, agriculture, rural areas and farmers as well as MSBs. It addressed the impact of the COVID-19 head on with targeted monetary policy, and created two monetary policy tools that directly support the real economy, namely deferring enterprises' loan repayments and increasing unsecured loans. The financial sector waived profits of RMB1.5 trillion in favor of the real economy.

FINANCIAL MARKET



In 2020, the PBC resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council, and continued to strengthen financial market institution building and product innovation to better serve the real economy. It advanced the opening-up of the financial market in a steady and orderly manner, and endeavored to forestall and defuse financial risks, thereby promoting the high-quality development of the financial market.



Performance of the money market

In general, the volume of trading increased. The cumulative trading volume of the interbank money market posted RMB1 106.89 trillion in 2020, surging 13.96 percent from the previous year. Among this, trading on the interbank funding market decreased 2.96 percent to RMB147.14 trillion, and trading on the pledged repo market jumped 17.61 percent to RMB952.72 trillion, whereas outright repo market trading dropped 26.26 percent to RMB7.04 trillion.

Short-term trading still dominated the money market. 7-day and shorter-term trading accounted for 95.58 percent of the total, up 0.21 percentage points over 2019. Among this, overnight funding took up 85.40 percent, 0.78 percentage points lower than that in 2019, while the share of 7-day funding rose 0.99 percentage points to 10.18 percent.

The interest rate dropped across the board. The PBC kept liquidity in the banking system reasonably abundant through three RRR cuts, MLFs, repos and other monetary policy tools. As a result, the overall level of interest rates moved downward. In particular, the annual weighted average rates on interbank lending, pledged repos, and outright repos were 1.64 percent, 1.71 percent, and 1.78 percent respectively, down 63 bps, 59 bps, and 57 bps. At end-2020, the weighted average 7-day interbank offered rate

(IBO007) and the weighted average rate on 7-day pledged repos by depository institutions (DR007) were 2.55 percent and 2.46 percent respectively, dropping 30 bps and 19 bps.

Large Chinese banks were the major fund providers. During the year, large commercial banks, policy banks, and joint-stock commercial banks were the biggest fund providers on the money market, with net lending of RMB241.93 trillion, RMB114.79 trillion, and RMB78.87 trillion respectively, accounting for 52.50 percent, 24.91 percent, and 17.12 percent of the total net lending. Securities firms, fund managers, and rural financial institutions were the major borrowers, with net borrowing of RMB136.13 trillion, RMB131.56 trillion, and RMB15.81 trillion, representing 29.54 percent, 28.55 percent, and 3.43 percent of the total net borrowing.

Bond market performance

In 2020, bond issuance totaled RMB57.3 trillion, jumping 26.5 percent, accelerating by 23.4 percentage points. As of year-end, outstanding bonds under custody in China reached RMB116.98 trillion, and 86.1 percent of it or RMB100.72 trillion was on the interbank market while RMB16.26 trillion was on the exchange market.

Government bond issuance increased by 75 percent to RMB7.02 trillion (including RMB1 trillion special treasury

bonds in support of COVID-19 containment), while the issuance of local government bonds amounted to RMB6.44 trillion, surging 47.7 percent. As of the year-end, outstanding government bonds totaled RMB45.63 trillion, accounting for 39 percent of the total outstanding bonds, up 1.4 percentage points from the previous year.

The trading volume of spot bonds increased. The trading volume of spot bonds reached RMB253 trillion in 2020, rising 16.5 percent from the previous year. Among this, spot bond trading on the interbank market amounted to RMB232.82 trillion, up 11.5 percent, while that on the exchange market gained 141.6 percent to RMB20.18 trillion.

Bond lending surged 61.6 percent from the previous year to RMB7.5 trillion. City commercial banks, securities companies and joint-stock commercial banks were the top three players, with their combined trading amount representing 63.4 percent of the total. Broken down by the type of bonds, policy financial bonds, central government bonds and local government bonds combined accounted for 99.3 percent of the total lending activities. Securities companies, joint-stock commercial banks and city commercial banks were the major borrowers, while city commercial banks, large banks, rural commercial banks and rural cooperative banks were the main lenders. A total of 418 institutions participated in bond lending activities, 111 more than that in 2019.

Bond yield curve flattened before moving upward. The impact of the COVID-19 and the macroeconomic developments became the main drivers of bond yields throughout the year, which fluctuated within a certain range. At end-2020, the yields on 1-year and 10-year government bonds were 2.47 percent and 3.14 percent respectively, rising 11 bps and 1 bp compared with end-2019. The movement of the yield on low credit-risk bonds underwent three stages: in the first four months, in response to the impact of the COVID-19, the PBC actively leveraged the role of monetary policy, which kept the liquidity in the banking system reasonably abundant. This, coupled with rising risk aversion in the market, sent bond

yields down sharply. The yield on 10-year government bonds fell for four consecutive months, hitting a ten-year low of 2.48 percent. From May to November, China's economic fundamentals recovered steadily due to domestic effective control of COVID-19. Moreover, there was a big supply pressure of government bonds. As a result, bond yields started to turn upward, with short-term yield rising more notably than long-term yield. In December, bond yields turned downward, with the end-year yield on 10-year government bonds closing near the level at the beginning of the year.

The size of debenture bond issuance and net financing reached new highs. A total of RMB12.16 trillion debenture bonds were issued throughout the year, jumping 31.5 percent from the previous year, and net financing posted RMB4.45 trillion, RMB1.11 trillion more than the increase in the previous year, meeting the target of an additional increase of RMB1 trillion set at the executive meeting of the State Council.

Bond financing support program for private businesses enabled targeted support. During the year, the support program helped 56 private enterprises issue RMB54.63 billion bond financing instruments. The number of private enterprises supported grew 10 percent year on year, while total bond financing grew 31 percent over 2019. The support program cumulatively helped 90 private enterprises issue RMB111 billion bond financing instruments, and more than 80 percent of them were enterprises with low and medium ratings, thus effectively protecting such private market participants.

At end-2020, outstanding bonds held by depository financial institutions in the interbank market posted RMB57.7 trillion, accounting for 57.4 percent of the total, basically the same share as end-2019, while outstanding bonds held by unincorporated institutional investors amounted to RMB28.8 trillion, representing 28.6 percent of the total, down by 1 percentage point from end-2019. Corporate debenture bonds held by depository financial institutions, non-bank financial institutions and unincorporated institutional investors took up 26.2 percent, 6.4 percent and 63 percent of the total respectively, with holdings by depository

institutions increasing from the end of previous year. In particular, the size of bonds held by overseas institutions at the year-end grew by 47.7 percent or RMB1.05 trillion year on year to RMB3.25 trillion, accounting for 3.2 percent of the total on the interbank bond market.

Performance of financial derivatives market

Interest-rate swaps witnessed steady growth. The number of transactions on RMB interest-rate swap market amounted to 274 thousand, up 15.31 percent. The notional value increased 7.81 percent from a year ago to RMB19.56 trillion. In terms of the maturity structure, RMB interest-rate swaps with maturities of one year or less traded briskly and their notional principal was RMB12.47 trillion, representing 63.75 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 swaps. The notional principal of swaps using these two rates as a reference accounted for 82.67 percent and 14.93 percent respectively of the total. Interest-rate swaps anchored to the LPR witnessed 1 718 transactions throughout the year with a total notional principal of RMB266.495 billion.

Credit risk mitigation instruments generally performed steadily. The year saw 104 transactions on the interbank market with a total notional principal of RMB18.35 billion. Broken down by product, credit risk mitigation warrant was the dominant instrument. Throughout the year, 85 credit risk mitigation warrants were created with a total notional principal of RMB14.82 billion. Breakdown by term structure showed that the term of credit risk mitigation warrant was mainly less than one year, accounting for 65.5 percent of the total, while the notional principal of contract products with a term within one year was almost the same as that with a term of one year or more. In terms of credit ratings of reference entities, the reference entities of credit risk mitigation warrants were mainly assigned AA+ and AA ratings, and the rates declined slightly, while the ratings of reference entities of contract products were evenly distributed.

Performance of the foreign exchange market

Trading on the RMB/foreign exchange (FX) market reached US\$29.93 trillion in 2020 with an average daily trading of US\$123.187 billion, up 2.80 percent. In particular, transactions between banks and their clients and those on the interbank FX market stood at US\$4.54 trillion and US\$25.40 trillion respectively.

Trading on the spot FX market grew steadily. In 2020, cumulative trading on the spot FX market hit US\$11.94 trillion, a year-on-year gain of 5.17 percent. Specifically, spot FX purchases and sales at banks (excluding delivery of forward contracts) amounted to US\$3.56 trillion, rising 4.27 percent over 2019, while cumulative spot trading on the interbank FX market stood at US\$8.38 trillion, up 5.55 percent.

Trading on the forward FX market grew remarkably. The cumulative full-year trading of FX forwards totaled US\$564.315 billion, up 48.25 percent. In particular, forward FX purchases and sales between banks and their clients posted a cumulative US\$459.958 billion, with FX purchases from and sales to clients registering US\$305.276 billion and US\$154.682 billion respectively, and the three figures surged 50.96 percent, 35.72 percent, and 93.94 percent respectively over 2019. Cumulative trading of FX forwards on the interbank market jumped 37.40 percent to US\$104.357 billion.

Trading of FX and currency swaps remained stable. The cumulative trading of FX and currency swaps went up 0.32 percent over 2019 to US\$16.59 trillion in 2020. In particular, trading of FX and currency swaps between banks and clients posted US\$239.493 billion cumulatively, up 100.43 percent compared with 2019, while those on the interbank market dropped 0.41 percent from the previous year to US\$16.35 trillion.

Trading on the FX options market declined slightly to

US\$841.237 billion, sliding 1.03 percent from 2019. In particular, cumulative trading between banks and clients rose 2.14 percent to US\$274.58 billion, while that on the interbank market registered US\$566.657 billion cumulatively, declining 2.50 percent compared with 2019.

Performance of the gold market

In 2020, gold prices in general showed a rising trend amid fluctuations, and registered a record high. At the year-end, the Shanghai Gold Exchange (SGE) Au9999 closed at RMB390.00 per gram, climbing 14.44 percent year on year. The SGE saw a decline in trading in 2020, with the trading volume dropping 14.44 percent to 58.7 thousand tons and the turnover hitting RMB22.55 trillion, up 4.91 percent.

Financial market institution building and policy measures

The PBC improved the institution building of the financial market. It issued the *Announcement No. 21 [2020] of the People's Bank of China* to reform and improve market making on the interbank bond market. The PBC, along with the NDRC and the CSRC, released the *Administrative Measures for Information Disclosure of Corporate Debenture Bonds* to promote the unification of information disclosure rules for corporate debenture bonds. Together with the CBIRC, CSRC and SAFE, it published the *Rules for the Recognition of Standard Debt-Based Assets* to clarify the boundary, recognition criteria and regulatory arrangements for standard and non-standard debt-based assets with a view to guiding well-regulated market development. For the purpose of implementing the requirements of the National Financial Work Conference on promoting the interconnectivity of financial infrastructures, the PBC and CSRC jointly promulgated the *Announcement No. 7 [2020] of the People's Bank of China and China Securities Regulatory Commission*, allowing market infrastructures to embark on the interconnectivity between the interbank bond market and the exchange-traded bond

market. The move was aimed at further facilitating bond investment, improving market efficiency and promoting the high-quality development of the bond market. The PBC released the *Administrative Measures on Standardized Bills*, connecting the bill market with the bond market to tap the professional pricing and investing capacity of the bond market while improving the standardization of bill transactions and enhancing the financing function of bills. It released the *Announcement No. 19 [2020] of the People's Bank of China*, specifying required information on commercial acceptance drafts and the disclosure requirements of acceptors' credit information so as to improve market-based constraint mechanisms and safeguard the legitimate rights and interests of holders.

The PBC continued to promote product innovation in financial market and launched convertible capital bonds. Researches were also conducted to promote the transformation of collateralized loan obligations (CLOs) into covered bonds (CBs).

The PBC improved the mechanism for dealing with bond defaults in line with market principles and the rule of law. It played an instrumental role in the development of judicial documents on bond defaults by the Supreme People's Court, released the *Notice on Issues Related to Default Resolution Mechanism for Corporate Debenture Bonds*, and guided the National Association of Financial Market Institutional Investors (NAFMII) to further diversify bond default resolution instruments.

The PBC promoted the coordinated regulation of financial infrastructures. In order to strengthen the construction of financial infrastructures, coordinate the regulation of important financial infrastructures, and improve the capability of the financial sector to serve the real economy as well as forestall and defuse financial risks, the PBC, NDRC, MOF, CBIRC, CSRC and SAFE jointly released the *Work Plan for Coordinated Regulation of Financial Infrastructures*.

RMB INTERNATIONALIZATION



In 2020, following the decisions and plans of the CPC Central Committee and the State Council, the PBC introduced in time policies to facilitate cross-border RMB business, deepened international monetary cooperation, and collaborated with other relevant government agencies to jointly optimize the policy environment. It adhered to market-driven principles and respected the choice of market entities. It supported the COVID-19 containment and resumption of business and production, and contributed to stabilizing foreign investment and trade and securing employment. Progress was made in RMB use in key sectors, regions and enterprises, and the RMB internationalization was brought to a new height.



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 statistics of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), as of end-2020, the RMB was the fifth largest payment currency in the world, with a market share of 1.88 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 the end of 2020, domestic RMB-denominated assets held by foreign players were close to RMB9 trillion, rising 40 percent year on year, of which, stock and bond holdings amounted to

RMB3.41 trillion and RMB3.34 trillion respectively, surging by 62 percent and 47 percent. The RMB is the world's third largest currency in trade finance, accounting for 2.05 percent of global trade finance, and the eighth most actively-traded currency on the foreign exchange market with a market share of 4.3 percent.

The role of the RMB as a reserve currency grew gradually. RMB reserve assets held by foreign central banks increased rapidly after it was included in the SDR basket. According to the IMF data, foreign central bank RMB holdings stood at US\$271.6 billion as of end-2020, accounting for a record high of 2.29 percent of the total, up 1.18 percentage points over 2016 when RMB was just included in the SDR basket, making the RMB the fifth largest reserve currency. Incomplete statistics showed that over 70 foreign central banks or monetary authorities had included the RMB in their FX reserves.

Further breakthroughs were made in using the RMB as an invoicing currency. Customs, commerce and foreign exchange authorities are now using RMB as an invoicing currency in statistics, accounting and management of foreign-related economic activities. Meanwhile, RMB

achieved breakthroughs in commodities pricing as seven specific varieties of futures – crude oil, iron ore, purified terephthalic acid (PTA), TSR20, low-sulfur fuel oil, international copper futures and palm oil futures – were launched in China. The trading and holding volumes of Shanghai crude oil futures expanded rapidly in 2020, only next to the US West Texas Intermediate (WTI) and Brent crude oil futures. With the trading by international investors accounting for 16 percent of the daily trading volume, Shanghai crude oil futures are gradually growing more influential.

The cross-border use of the RMB reached a new stage

RMB use by key enterprises in key sectors achieved an important breakthrough. In 2020, the PBC, together with the NDRC, Ministry of Commerce (MOFCOM), State-Owned Assets Supervision and Administration Commission (SASAC), CBIRC and SAFE, jointly released the RMB-based policies to stabilize foreign investment and trade. It also co-organized with the SASAC two symposiums for central state-owned enterprises (SOEs), set up task forces to serve the needs of enterprises, and made an important breakthrough in using RMB as an invoicing and settlement currency for iron ore and other commodities trading as well as overseas contracted engineering projects, which produced a demonstration effect. In 2020, central SOE groups recorded a steady increase in cross-border RMB settlements, with receipts and payments growing by 48 percent to RMB632.6 billion, 4 percentage points higher than the national growth.

Cross-border RMB use extended its reach in key regions. With a focus on overseas cooperative parks, the PBC joined hands with the MOFCOM in promoting wider use of RMB in relocation of production facilities to overseas cooperative zones. By strengthening monetary cooperation with foreign central banks and regulators, the PBC helped its peers remove policy barriers to the use of RMB. It created a favorable external environment for RMB, and contributed

to the wider use of RMB in neighboring countries (such as the ASEAN countries) and key regions (such as countries along the Belt and Road). In 2020, the cross-border RMB settlements between China and its neighbors surged 52 percent to RMB5.48 trillion, while those between China and countries along the Belt and Road hit RMB4.53 trillion, up 66 percent.

Cross-border RMB business developed rapidly. In 2020, the amount of RMB cross-border payments and receipts by banks on behalf of their customers reached a record high of RMB28.39 trillion, up 44 percent. In particular, cross-border RMB receipts jumped 41 percent to RMB14.10 trillion, while payments surged 48 percent to RMB14.29 trillion. Broken down by region, cross-border RMB settlements with Hong Kong, Singapore, the UK, Macau, Taiwan and Japan were the highest, accounting for more than 73 percent of total cross-border RMB payments and receipts.

Cross-border RMB flows remained stable and orderly. In 2020, as the COVID-19 increased the volatility of global financial markets, the PBC strengthened macro-prudential management, conducted countercyclical 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 2020, the cross-border RMB receipts and payments were basically balanced, and the receipt-to-payment ratio was 1 to 1.01 with a net outflow of RMB185.8 billion. There was no structural change, as current account continued to see outflows and capital account inflows.

The cross-border RMB settlements in the real economy increased despite headwinds. In 2020, trade in goods and direct investments settled in RMB grew by 13 percent and 37 percent respectively, far higher than the 1.90 percent

and 0.82 percent increase in China's overall trade in goods and direct investments. The share of RMB payments and receipts in total local and foreign currency payments and receipts for trade in goods rose to nearly 15 percent. Cross-border RMB payments and receipts under the current account accounted for nearly 18 percent of total local and foreign currency payments and receipts.

With RMB assets growing more attractive, capital account became a major driver for cross-border RMB receipts and payments. In China, one of the countries implementing a normal monetary policy, the yield on risk-free bonds is significantly higher than that in other countries and economies. As China proceeded with the two-way opening-up of financial market, Chinese bonds and stocks were included into a number of mainstream international indices, and foreign investors held a growing number of RMB-denominated financial assets. As a result, cross-border RMB receipts and payments under capital account grew rapidly, becoming a key driving force for cross-border RMB settlements. In 2020, cross-border RMB settlements under capital account added up to RMB21.62 trillion, up 58 percent, accounting for over 70 percent of the total cross-border RMB receipts and payments.

Infrastructures supporting the RMB internationalization continued to improve and the bilateral currency cooperation deepened. The PBC continued to expand overseas RMB clearing arrangements, improved the management of clearing banks, and encouraged them to participate in CIPS so as to play an active role in providing RMB liquidity and improving the infrastructure for RMB transactions. As of end-2020, the PBC had designated 27 RMB clearing banks in 25 countries and regions. With the business coverage of the CIPS expanding further, RMB business processing capacity experienced notable improvement. By the end of 2020, there were 42 direct participants and 1 050 indirect participants in the CIPS, covering 99 countries and regions worldwide, and the actual business coverage had expanded to 3 326 incorporated banking institutions in 171 countries and regions. Bilateral currency cooperation deepened. In 2020, the PBC signed a bilateral currency swap agreement (BSA) with the Bank of Lao P.D.R., renewed the BSA with central banks and monetary authorities from Switzerland, South Korea, Russia and some other jurisdictions, and expanded the swap size with central banks from economies such as Chile and Hungary. By the end of 2020, the PBC had signed BSAs with 40 central banks and monetary authorities with the total swap line exceeding RMB3.99 trillion.

FOREIGN EXCHANGE ADMINISTRATION



In 2020, faced with the COVID-19 and complicated international situations, the foreign exchange authority responded swiftly by setting up a green channel for foreign exchange services and striking a balance between COVID-19 containment and the economic and social development. The SAFE continued the reform of foreign exchange administration and further opening-up of foreign exchange business, advancing capital account convertibility in a steady and orderly manner. In order to prevent and mitigate major financial risks, the SAFE further improved the management framework combining macro-prudential management with micro-oversight and cracked down upon activities violating laws and regulations in the foreign exchange market. It improved the management of foreign exchange reserves and ensured the safety, liquidity and returns of foreign exchange reserves.



Actively supported COVID-19 containment and the resumption of business and production

First, with respect to current account management, 19 thousand transactions amounting to US\$6.6 billion of foreign exchange settlements under trade in goods were handled through the green channel. In addition, 944 donation transactions totaling US\$170 million were exempt from the requirement of a donation account, and 34.38 million personal foreign exchange transactions were conducted online. Second, in terms of capital account management, 130 thousand payment transactions of income under the capital account involving a total amount of roughly US\$29.4 billion were exempt from prior verification. Enterprises may ask for lifting the cap on its external borrowing, and file registration of external debt online.

Further facilitated cross-border trade, investment and financing

First, for cross-border trade, the pilot program for foreign

exchange settlement facilitation in trade was expanded to 22 regions, involving a total amount of US\$160.6 billion. The online checks of tax filing for foreign exchange payments in service trade were optimized, benefiting over 30 thousand enterprises and involving an amount of US\$233.9 billion. The SAFE supported more banks to provide foreign exchange services to new forms of trade by virtue of electronic transaction information as long as they meet the requirements of collecting transaction information and verifying authenticity. It advanced the pilot innovation program of two-way personal foreign exchange use facilitation. In particular, to make it easy for non-residents to use foreign exchange, it introduced three innovative practices in a number of regions and banks, namely, purchase of foreign exchange for remuneration of foreign talents, sale of foreign exchange for small-value consumption by non-residents, and sale of foreign currency receipts from small-value remittances by non-residents. Meanwhile, to benefit outgoing Chinese residents, it removed the restrictions on the sale of foreign currency remuneration of overseas Chinese employees, and allowed online foreign exchange purchase and payment for overseas

education provided the transaction is not counted as the quota allowed to each resident. Second, with respect to cross-border investment and financing, the SAFE expanded nationwide the pilot facilitation for income payment transactions under capital account. De-registration of eligible overseas borrowings guaranteed by domestic entities and overseas loans released by Chinese entities, which had to be filed with the SAFE, can now be filed with banks. The SAFE further consolidated foreign exchange accounts for capital account transactions, leaving 19 categories of such accounts. In addition, the SAFE revised and issued the *Guidelines for Foreign Exchange Business under Capital Account (2020)* to facilitate capital account transactions by banks and enterprises. As called for by the State Council, the SAFE collaborated with other supervisory authorities and commercial departments on unifying required reports into one.

Advanced the opening-up of capital account in a sound and orderly manner

First, the SAFE issued the *Provisions on Managing the Funds Invested by Foreign Institutional Investors in Domestic Securities and Futures*, lifting the quota limit on domestic securities investment by QFIIs, removing the geographic restrictions on pilot RQFII program, improving foreign exchange registration and simplifying the procedures for remittances. Second, the SAFE issued the *Measures for Managing Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* in collaboration with other relevant authorities to ease market access, expand the scope of investment, and facilitate the investment by foreign institutional investors in domestic securities and futures market. Third, the SAFE steadily pressed ahead with issuing quotas to QDII, granting quotas totaling US\$12.7 billion to 71 institutions in three batches.

Promoted the two-way opening-up of the financial market

First, the SAFE participated in refining the *Notice on Investment in China's Bond Market by Foreign Institutional Investors* and the *Provisions on Fund Management for Investment in China's Bond Market by Foreign Institutional Investors*. Second, the SAFE promoted the orderly development of such pilot services as the Shenzhen-Hong Kong ETF Connect and the Shanghai-London Stock Connect. Third, the SAFE drafted policy guidelines on qualified foreign limited partnership (QFLP) and qualified domestic limited partnership (QDLP), thus establishing the cross-border investment policy framework for private equity funds. Fourth, it expanded the scale and geographic coverage of the pilot cross-border investment by private equity funds by increasing the QDLP quotas for Beijing, Shanghai and Shenzhen to US\$10 billion respectively, and allowing Hainan and Chongqing to carry out the QDLP pilot program, each with a quota of US\$5 billion.

Supported the development of demonstration zones for major reforms and innovations

First, on current account management, the SAFE approved four pioneering policies and measures proposed by Shenzhen, including supporting comprehensive foreign exchange service providers to serve cross-border e-commerce players. To facilitate the cross-border trading of physical assets at China Beijing Equity Exchange, it issued settlement rules for the transfer of physical assets at the exchange. Second, on capital account management, the SAFE expanded the pilot program of external debt facilitation quota to Shanghai Free Trade Zone, Hubei Free Trade Zone and Wuhan East Lake High-Tech Development Zone as well as Guangdong-Hong Kong-Macao Greater Bay Area, and further increased the external debt facilitation quota for Haidian Park of Beijing Zhongguancun Science

City. It piloted the one-off external debt registration in the Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port, and China (Shanghai) Pilot Free Trade Zone Lin-gang Special Area. Moreover, the SAFE piloted a credit asset overseas transfer program for domestic banks in Beijing, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Port.

Guarded against the risk of abnormal cross-border capital flows

First, the SAFE optimized the key regular monitoring mechanism for current account, and enhanced cross-border capital flow analysis from the perspective of key regions, countries, players, businesses and products. Second, it advanced the re-registration of the pilot payment institutions in an orderly manner. Of the original 32 pilot institutions, 19 renewed their registration, 1 went through rectification, and 12 exited. Third, it strengthened capacity building for current account off-site supervision, and intensified monitoring and early warning for cross-border capital flows. Upon off-site monitoring and inspection, a total of 3 969 enterprises were downgraded, 3 723 enterprises were removed from the directory, and 881 persons were put on the watch list. Fourth, it reinforced data and information sharing with customs and tax authorities to take stronger disciplinary actions against non-compliance. Fifth, it cracked down upon false and fraudulent transactions and illegal cross-border financial activities. 2 440 cases of violations of foreign exchange

regulations were investigated, with RMB940 million fined or confiscated. Specifically, over 1 800 counterparty cases of underground banks were investigated, with more than RMB500 million fined or confiscated.

Continued to improve the management of foreign exchange reserves

First, the SAFE prudently addressed external shocks, and foreign exchange reserves remained stable with a moderate increase. It effectively coped with multiple shocks, including the COVID-19 and the sharp fluctuations in international financial markets, and went all out to ensure the safety, liquidity, as well as returns of foreign exchange reserves. At the end of 2020, China's foreign exchange reserves hit US\$3.2165 trillion, up by US\$108.6 billion. Second, the SAFE developed capacity to invest in a wide range of instruments. It conducted an in-depth analysis, optimized currency and asset structure, and refined the comprehensive risk management framework to safeguard the safety of foreign exchange reserves. The management of foreign exchange reserves was improved through tech innovations to allow round-the-clock global operation. Third, use of FX reserves was diversified based on commercial rules. The SAFE explored to optimize the cooperation models of overseas investment, and effectively performed its duty as a shareholder by helping improve management of institutions with equity participation of foreign exchange reserves, so as to ward off investment risks from diversified use.

ACCOUNTING

Modernized the central bank's system for financial governance

Following the requirements of the Fifth Plenary Session of the 19th CPC Central Committee on building a modern central bank system, the PBC steadily pushed ahead with the research on the central bank's financial governance, improved the prudential accounting standards and financial buffer mechanism, conducted special studies on central bank accounting theory and finances, and consolidated the foundation of accounting and finances of a modern central bank.

Solid accounting support was provided for macro-management policies. To ensure stability on the six key fronts and maintain security in the six key areas, the PBC studied and developed accounting methods for financial support instruments to contain COVID-19, and strengthened financial analysis of the financial sector after the outbreak of the COVID-19. It improved procedures on the verification of required reserve accounting items, reinforced research on the application of the accounting standards for new financial instruments, and advanced the alignment of accounting standards with financial regulatory policies, thereby refining governance rules for financial accounting.

The central bank's balance sheet management was improved. The PBC comprehensively analyzed the quality of its assets, and enhanced the analysis, forecast and management of balance sheet and income statement. It put the integrated accounting system into full operation, and accelerated the development of central bank accounting and financial database, to constantly make

central bank accounting and finances better equipped with IT and more scientific.

Further consolidated the foundation of full and strict management

The PBC resolutely followed the austerity requirement of the CPC Central Committee and the State Council by issuing the *Notice on Ensuring Full Implementation of the Austerity Requirement*, adjusting and optimizing the expenditure structure, slashing general expenditure and "three major official expenses" (on receptions, vehicles and overseas trips), and pursuing high-quality management and use of financial resources. By careful and strict budgeting and focusing on performance, the PBC improved the efficiency of utilization of its facilities, considerably lowered energy consumption, optimized business process, and strictly controlled the spending standards for facility purchases and official activities, with an aim to build an economized institution. It established long-term mechanisms, including a quarterly appraisal, and organized publicity activities, to make austerity a routine and institutionalized requirement.

The PBC stepped up building and implementation of the accounting and financial management system. It formulated the *Implementation Rules of the People's Bank of China on Office Building Management (Interim)* and the *Management Measures of the People's Bank of China for Large-Scale Maintenance and Renovation Projects*, and issued the *Guiding Opinions on Further Intensifying Internal Governance of Direct Affiliates*. It also took an active part in the "grand supervision" and other consultation mechanisms, improved the comprehensive

financial rectification and other mechanisms, and strengthened accounting and financial policy transmission and enforcement.

Infrastructure construction and fixed assets management was improved. The PBC rigorously implemented the *Management Measures of the People's Bank of China for Infrastructure Construction* and other institutional requirements, exercised dynamic management of the infrastructure construction project pool in a scientific manner, and enhanced end-to-end project management. It organized and completed the reform of official vehicle use at branch level, sorted out and verified its real estate assets, and stepped up the disposal and utilization of idle immovables to put its facilities to more efficient use.

Effectively supported and ensured the performance of duties

Financial resources were allocated and used more efficiently. Following the guiding principle of the Central Economic Work Conference, the PBC made overall plans for various expenditures in accordance with the principle of “pursuing an integrated approach, safeguarding selected items while downsizing others, and accommodating the needs of grassroots”, to meet the funding needs of major policies, key businesses and important projects. It supported the critical battle of forestalling and defusing major financial risks, gave priority to the expenditure needs of the normal functioning of primary-level governments and personnel, and earmarked special funds for COVID-19 response and poverty alleviation, to ensure that the responsibilities, efforts and effectiveness of all tasks were not compromised. With the budget structure constantly optimized, the PBC established an early-warning system for budget execution, and directed business departments to strengthen guidance and supervision in budget

preparation and performance management across lines of business, thereby improving the efficiency of resource allocation and utilization.

The budget performance management system was refined. The PBC organized the pilot program of performance review on the overall expenditure, and carried out ex-ante performance review on newly introduced major policies and expenditure items. While intensifying “dual monitoring” of the budget execution and achievement of performance targets, it increased application of performance results, promoted the performance-oriented budget arrangement, and strengthened the utilization of budget evaluation and problem rectification results, creating a sound performance management pattern which covers the whole process, all areas and dimensions.

Reform and development of direct affiliates was advanced. Based on the requirements of the modern central bank for performance of duties, the PBC further improved the working systems and mechanisms of affiliated enterprises and institutions, and urged them to deepen reform and strengthen their operation mechanism. It continued to improve the internal governance of the affiliates, strengthened their primary responsibilities, focused on core businesses, optimized resource allocation, and fully implemented the overall and strict management requirements on the remunerations and official expenditures of top management.

Adequate emergency funds were ensured. The PBC made well-coordinated plans for all kinds of expenditures, provided solid financial support to the fight against COVID-19, ensured timely allocation of special funds for emergencies such as flood control and disaster relief, and effectively improved the working and living conditions of primary-level branch offices in remote areas with tough conditions.

Steadily advanced the accounting and finances capacity building

Upholding the key role of Party building in pursuing high-quality development of accounting and finances, the PBC focused on political, ideological, organizational, discipline and work conduct building, stepped up efforts in joint learning and building among accounting and finance departments as well as discussions on special issues, reinforced the deep integration of Party building and businesses, and advanced the building of a model government agency.

Upholding the spirit of “iron belief, iron rules and iron book” in the new era, it held accounting publicity activities and exchanged the results therefrom, keeping central bank’s accounting culture up-to-date and advanced. Great efforts were also made to explore and implement the tiered accounting talent development plan, and organize institutions at all levels to provide training and professional guidance based on local circumstances. The PBC consolidated the building of accounting and financial talent pool, and cultivated versatile interdisciplinary talents in various ways ranging from research projects to coaching.

PAYMENT SYSTEM

Continued to improve the construction of payment infrastructure

The construction of the Central Bank Accounting Data Centralization System (ACS) was stepped up. First, the ACS was upgraded twice and new versions were introduced, facilitating the processing of instruments supporting deferred repayments on inclusive MSB loans, unsecured inclusive MSB loans as well as the enhanced CBS operations. Second, the construction of the second-generation ACS system was planned. The PBC completed the *General Concept Plan for the Construction of the Second-Generation Accounting Data Centralization System* and started to write business requirements.

The cross-border payment infrastructure was continuously improved. First, the PBC constantly promoted CIPS by focusing on expanding its overseas business coverage. As of the end of 2020, CIPS had 1 092 participants, including 42 direct participants and 1 050 indirect participants. Second, the PBC stepped up the management of cross-border financial network and information services, and advanced the establishment of financial gateway joint ventures between SWIFT and Chinese institutions to enable SWIFT to provide domestic users with better services.

Enhanced the legal framework for payments and settlements

The PBC improved regulations for non-bank payment institutions. First, it continued to work for the introduction of the *Regulations on Non-Bank Payment Institutions* to enhance the legal basis of regulation over non-bank payment institutions and to consolidate the foundation of law-based administration. Second, the PBC solicited public opinions on the *Measures for the Deposit of Provisions of Clients by Non-Bank Payment Institutions (Exposure Draft)*,

the *Administrative Measures on Industry Protection Funds for Non-Bank Payment Institutions (Exposure Draft)* and the *Administrative Measures on Reporting of Significant Events by Non-Bank Payment Institutions (Exposure Draft)*. Third, the PBC issued the *Circular on Further Standardizing the Supervision and Management of Merger and Split of Non-Bank Payment Institutions*, to standardize the mergers and reorganizations among payment institutions and constantly improve the business environment.

The regulations governing payment and clearing operations were improved. First, the PBC issued the *Circular of the People's Bank of China on Standardizing Collection Business*, which considered preventing risks from collection business while meeting the needs for payment facilitation. It proposed targeted regulatory requirements to safeguard the rights and interests of users. Second, the PBC solicited public opinions on the *Administrative Measures for Bankcard Clearing Institutions (Revised Draft for Public Comment)* and the *Circular on Strengthening Management of Payment Acceptance Terminals and Relevant Businesses (Exposure Draft)*.

Fully strengthened regulation of the payment services market

The cross-border gambling-related fund flows was cracked down upon accurately. First, with the aim of preventing and controlling gambling-related fund flows, the PBC released a series of supporting documents to ensure that relevant parties perform their primary responsibilities and consolidate the institutional foundation. Second, it guided market participants to reinforce technology-based prevention and crackdowns, and to front-load risk prevention and resolution measures. Third, the PBC intensified joint efforts between the police force and banks, coordinated relevant organizations to transfer gambling-

related clues to public security authorities, and promoted the application of the investigation and control platform for gambling-related transactions. Fourth, it innovated publicity approaches by actively carrying out novel publicity activities such as anti-gambling message reminders as well as collection and dissemination of themed short videos, to create an anti-gambling atmosphere. In 2020, the size of suspicious gambling-related transactions through main payment channels witnessed a sharp decline, and the regulation on cross-border gambling-related fund flows made progress.

Account risk management was strengthened in parallel with cracking down upon telecom network fraud. First, the PBC required relevant institutions to shoulder primary responsibilities. The PBC maintained a tough regulatory stance and suspended new account opening business for 1 to 6 months for banking outlets with multiple fraudulent accounts. Second, the PBC gave full play to technology empowerment. The development of risk monitoring system for account and payment business was kicked off, and big data was used to intensify risk monitoring and screening. Third, the PBC conducted risk screening and resolution. It organized banks and payment institutions to check and identify clues of abnormal accounts such as frequent cancellation of and application for bankcards as well as multiple-card holders, and inform local public security authorities.

Law enforcement was strengthened in the payment field. First, the role of self-discipline of industries and public oversight was brought into full play, policy transmission channels were smoothened, and an integrated new regulatory mechanism was set up, featuring government regulation, industry self-discipline, public oversight and corporate governance. Second, with focus on bankcard services, account opening and use, unlicensed business activities and anti-gambling and anti-fraud inspections, the PBC imposed administrative penalties on banks and payment institutions for violations of laws and regulations, effectively maintaining market order and purifying market environment. Third, the PBC tapped the role of regulatory

technologies, followed the guiding principles of the reform to streamline administration and delegate power, improve regulation and upgrade services, unified the regulatory data standards for payment service institutions, and established API technology-based off-site supervision mechanism.

The PBC intensified the regulation of non-bank payment institutions. First, the PBC continued to improve the market structure, and refined the exit procedures of payment institutions. Second, it tightened risk monitoring, identification and resolution for payment institutions. It strengthened monitoring of risks arising from provisions of payment institutions, got payment institutions out of P2P online lending business in a steady and orderly manner, and comprehensively verified the actual controllers of payment institutions involved in risk events including lawsuits, discredit and debts. Third, it enhanced regulation over large fintech companies. While supporting innovations by fintech companies that serve the real economy and comply with prudential regulation, the PBC ensured that all financial activities are brought under regulation based on market principles and the rule of law.

The management of the clearing infrastructure was reinforced. First, the business boundary of clearing institutions was clarified, to promote fair competition and compliance in business operation, improve services, guard against fund clearing risks, and maintain the payment and clearing order. Second, the business during peak periods was guaranteed.

Promoted high-quality development of payment services

The bank account management reform was deepened. First, the PBC steadily advanced the pilot program of integrating local currency and foreign currency bank accounts. It made overall arrangements for the pilot program by releasing the work plan and support measures. Second, the PBC kicked off the pilot program of opening enterprise bank accounts remotely. Adopting a cautious regulatory sandbox

approach, the PBC approved its Operation Office's initiative experiment on remote opening of enterprise accounts with China Merchants Bank Beijing Branch, to facilitate the development of digital economy.

Payment service environment was continuously optimized. First, the PBC further expanded the project of providing convenience with mobile payment. It issued the *Priorities for the Project of Providing Convenience with Mobile Payment*, to advance the development of mobile payment in counties and rural areas. Second, the PBC facilitated cross-border mobile payment. Following the requirements of the China–Japan–ROK Trilateral Summit, the PBC launched in six regions the pilot program of providing short-term Japanese and Korean tourists with convenient access to mobile payment. It launched the pilot program of consumption coupons in Macao, supporting the government of the Macao Special Administrative Region (SAR) to distribute offline consumption coupons to mainland users through the platforms of relevant market institutions, which effectively facilitated residents from the mainland to visit and shop in Macao. It provided Hong Kong and Macao residents with the convenience of using mobile payment in the mainland, and enabled the cross-border payment service innovations with the Hong Kong and Macao e-wallets through qualified domestic clearing institutions, so as to best benefit people while keeping risks under control. Third, the PBC advanced the creation of payment service environment for the Beijing Winter Olympics. It issued the *Guidelines on Creating Payment Service Environment for Beijing Winter Olympic Games*, which specified the objectives and coordinated all relevant parties to actively promote preparations.

The two-way opening-up of the bankcard market was advanced. First, the PBC promoted market access for overseas institutions. It reviewed and approved the application of Mastercard for the preparation of a bankcard clearing institution with MasterCard NetsUnion Information

Technology (Beijing) Co., Ltd. as the applicant, and the application of American Express for setting up business with the Express (Hangzhou) Technology Services Company as the applicant. The move was expected to promote a market-based landscape where domestic and foreign clearing institutions compete and pursue integrated development. Second, the PBC accelerated the pace of “going global”. China UnionPay was encouraged to extend its bankcard clearing services from cross-border payment to such businesses as overseas card issuance, global acceptance and financial infrastructure development. As of the end of 2020, through cooperating with over 2 400 institutions worldwide, the UnionPay had expanded its global card acceptance network to 179 countries and regions, and issued UnionPay cards in 67 countries and regions.

Supported COVID-19 containment and the resumption of business and production

A green channel was built for COVID-19 containment. First, a green channel for fund transfer through payment system was created at the earliest possible time, and the cap on the Bulk Electronic Payment System (BEPS) was lifted in time, effectively addressing the need for fund transfer arising from COVID-19 containment. Second, the green channel for opening bank accounts as needed by COVID-19 containment functioned well. For any urgent need to open the accounts for special fiscal funds allocation, or special emergency and resolution funds, the PBC coordinated its branches and commercial banks to take a case-specific and prompt approach. Third, the PBC issued the *Circular on Optimizing Payment Services in Support of Business and Production Resumption and Promoting Consumption in Scale and Quality*, introducing 10 types of measures to support the implementation of government policies on promoting consumption, and motivated all parties in the payment sector to reduce fees and partially forego profits.

Developing and Promoting the Online Verification System for Enterprise Information to Facilitate Cross-Department Information Sharing

Following the requirements of the CPC Central Committee and the State Council on the reforms to streamline administration and delegate power, improve regulation, and upgrade services, as well as the decisions made at the executive meeting of the State Council, the PBC worked with relevant ministries and commissions to jointly promote cross-agency information sharing, to break the "information silos" and to build and promote the online verification system for enterprise information. With such a system, authoritative and convenient channels could be provided to banks and non-bank payment institutions in their effort to verify the authenticity and validity of enterprise information, thereby strengthening enterprise account regulation, preventing telecom fraud and cross-border gambling, and improving enterprise account services. By the end of 2020, the system had 209 commercial banks connected resulting in a total of 40.7249 million verification, with an average daily verification of 111.6 thousand, 6.49 times that in 2019. Among them, there were 15.2262 million verification of mobile phone numbers, 11.1238 million verification of tax information, and 14.3749 million verification of registration information. The system has been stable since its launch with positive feedback from participating institutions and enterprises.

Actively advanced the development of the online verification system for enterprise information to realize cross-agency information sharing

In order to provide fundamental support for abolishing approval requirement on

enterprise bank account opening, improving enterprise account services and strengthening ongoing and ex-post regulation, the PBC signed a Memorandum of Understanding on information sharing with the MIIT, the State Taxation Administration (STA) and the State Administration for Market Regulation (SAMR) in June 2019. The online verification system for enterprise information was established within four months, providing enterprises with safer and more convenient account services. It was an important step in developing the information sharing mechanism for the four agencies, as well as a concrete example of supporting the high-quality development of private enterprises and MSBs and building a service-oriented government that is able to satisfy the needs of the people.

The online verification system for enterprise information provided strong support for preventing and controlling account risks and improving account services

The online verification system for enterprise information provided an authoritative channel for commercial banks and non-bank payment institutions to verify the authenticity and validity of the information of relevant personnel from enterprises. Commercial banks could, when providing account services to enterprises, verify through this system whether the mobile phone numbers of relevant personnel from enterprises match their IDs, whether tax registration was abnormal, whether the industrial and commercial registration information was authentic, and whether the enterprise was

on the list of abnormal operations or list of enterprises with serious illegal and dishonest acts, etc.. This allows commercial banks to verify the authenticity of the enterprise and its legal person, to understand the operation status, to prevent risks such as not providing their own mobile phone numbers as required, using forged documents and using the name of shell companies, and to curb illegal and criminal activities such as telecom fraud and cross-border gambling. At the same time, by transforming their business processes and embedding information verification in the account opening process, commercial banks reduced the cost of verifying enterprise information, and shortened the waiting and processing time at the counter, thus improving account services.

Continued to scale up the application of the online verification system for enterprise information

Since the launch of the online verification system for enterprise information, the PBC continued to encourage commercial banks and non-bank payment institutions to make use of the system on one-point access and voluntary basis, resulting in an increasing number of participating institutions as well as verifications. Meanwhile, the PBC issued the *Administrative Measures on the Online Verification System for Enterprise Information*, and established a working mechanism for operation and emergency support jointly with relevant agencies to strengthen the administration of system operation and information protection.

Integration of Intracity Clearing into Unified Systems

On December 15, 2020, business activities on all 38 intracity clearing systems were transferred to the High-Value Payment System (HVPS) and the Bulk Electronic Payment System (BEPS). This marks the completion of transfer of the intracity clearing systems, putting an end to the 23-year fragmented operation of the intracity clearing systems and preventing the long-standing clearing risks in local clearing houses and bill centers. It is a major initiative to tackle deep-rooted problems and to reshape payment and clearing market landscape, which is of great significance in rectifying the chaos on the market, optimizing the allocation of payment and clearing resources, and improving the efficiency of payment and clearing services provided by the central bank.

Since 2019, the PBC has conducted in-depth investigation and research to comprehensively deploy, streamline and standardize the work of its branches, subsidiaries and affiliates. In 2020, to disentangle the complex organizational, personnel and business interest relationships of the intracity clearing and payment systems, and address the difficulty in transferring their business activities, the PBC formulated a holistic strategy with detailed plans for transfer, focusing on forestalling and defusing payment risks and starting with lower-hanging fruits, through regionally tailored schedules with least disruption to customers. The PBC also overcame the impact of the COVID-19, and established

a national comprehensive business service platform within five months to meet the special needs of local business. It also coordinated commercial banks to actively maintain safe and stable operation of the system and proactively handle their system renovation and channel switching so as to guarantee good customer experience and guide customers through transition.

By transferring businesses from intracity clearing systems, the PBC further deepened the supply-side structural reform in payments, which would help coordinate the development of payment and clearing infrastructures. First, this initiative is expected to consolidate the PBC's central role in the payment system, thus improving the efficiency of fund flow and utilization. Second, transferring the payment and clearing business into national payment infrastructures could improve the business continuity of the payment and clearing system, which would provide the people with better and more reliable payment and clearing services. Third, the cost for commercial banks to develop, operate and maintain systems and access channels was significantly reduced, which could avoid wasting resources caused by duplicated construction. Fourth, the initiative could improve the concentration of clearing, which would facilitate the monitoring of fund flows and related risks, and help identify potential risks in time.

CURRENCY ISSUANCE AND MANAGEMENT

Went to great lengths to ensure cash supply

Cash supply was fully ensured. In 2020, the net cash injection topped RMB712.5 billion, an increase of 79 percent, reaching a record high. Cash in circulation M0 grew 9.2 percent to RMB8.43 trillion, 3.8 percentage points faster than in 2019. Faced with challenges from the COVID-19, the PBC stepped up research and analysis on cash operation, ensured flexible RMB banknote printing and coin production, and reasonably allocated RMB issuance funds. Its branches increased cash supply to hospitals, communities and emergency COVID-19 response projects, and improved the emergency response capabilities of cash supply.

The PBC issued the five-yuan banknote of the 2020 edition of the fifth RMB series. By making good preparations for printing and production, machine upgrading, publicity, and training for issuing the new edition of five-yuan banknote, it completed this round of improvements in the fifth series of RMB banknotes. Besides producing a suite of design and anti-counterfeit technologies of the fifth series of RMB banknotes, the new edition of five-yuan banknote also demonstrated its uniqueness and innovativeness which differ from other denominations, with anti-counterfeit capability and printing quality considerably improved.

Optimized cash service and management

Currency, gold and silver services were continuously enhanced. The PBC organized activities to improve

the tidiness of RMB in circulation, gave full play to the demonstration effect of the cash service demonstration area, and unblocked recycling channels for RMB banknotes not suitable for circulation. It provided over 300 thousand door-to-door cash conversion services for merchants, and coordinated the return of RMB20.667 billion incomplete and damaged banknotes to the treasury, leading to a year-on-year increase of 4.8 percentage points in overall tidiness of RMB banknotes in circulation nationwide in 2020. The PBC implemented online application and handling of the *Import and Export License for Gold and Gold Products*, canceling the two certification materials regarding the physical gold inventory and gold production capacity previously required for enterprises, to help enterprises resume work and production and promote trade facilitation.

RMB circulation management was strengthened across the board. With the approval of the State Council, pilot projects of large-amount cash management were launched in Hebei, Zhejiang and Shenzhen. The PBC intensified the rectification of cash refusal by releasing guidelines on RMB cash receipt and payment, and improving rules and standards. While strengthening publicity and guidance, it also imposed severe punishment according to the law, with 36 violations punished in 2020. The PBC enhanced random visits to commercial banks for small-amount RMB services, urging them to continuously improve small-amount cash services. By adding more financial institutions and customs clearance ports to the cross-border transport of RMB banknotes, it also facilitated the cross-border transport.

Advanced the transformation and development of currency, gold and silver business

Reform of the issuance mechanism of common commemorative coins was advanced. The PBC released the *Interim Provisions on the Administration of Issuance of Common Commemorative Coins*, successfully issued the common commemorative coins for Mount Wuyi, a world cultural and natural heritage site, by employing a new method, and made booking and exchanging services available in all counties across the country. It strengthened guidance for the bid-winning underwriting syndicates on booking, exchanging as well as binding and sales, strictly enforced the management disciplines for issuing common commemorative coins, and took initiative to increase publicity of market-based issuance.

The PBC constantly improved the management system for cash processing. It steadily advanced the pilot program of regional cash processing center, and explored the establishment of a market-based cash processing system. Management over cash sorting firms was strengthened to guide the healthy development of the cash sorting industry. The PBC took stock of regulations, and organized self-examination and rectification of business risks in banknotes processing center, so as to further standardize the banknote processing business.

The PBC conscientiously carried out the transformation of gold and silver administration. It continued to improve the quality of non-standard gold and silver inspection, and strengthened the research and use of inspection results. The PBC continuously promoted the research on China's currency history, producing a number of findings with high academic value. It dived deep into themed research on silver and currency to further explore the law of currency issuance in history.

Continued to enhance cash vault security management

The PBC revised and refined the cash vault management system, improved the incentive and restraint mechanism for cash vault keepers, and continuously consolidated the foundation for management. By conducting large-scale security risk investigation and unannounced inspection of cash vaults nationwide, it further standardized the implementation of cash vault regulations. The PBC pushed forward the pilot program of intelligent management of cash vaults, with IT-based logistics modules scaled up to modernize the management. It also explored the diversified warehousing models for reserve fund to promote the transformation toward market-based cash vault management.

Explored the establishment of the long-term mechanism for cash disinfection

Immediately after the outbreak of the COVID-19, the PBC required banking financial institutions to separate their inward cash operations from outward operations, and take differentiated measures for cash disinfection. It organized detection of microorganisms carried on RMB banknotes in circulation, and formulated the *Cash Disinfection Work Program for Banking Financial Institutions (for trial implementation)* and the *Guidelines for Cash Disinfection in Social Units (for trial implementation)* to standardize cash disinfection and ensure the safety of the people while using cash.

Prudently promoted the research and development of e-CNY

Following the principle of steadiness, security, controllability, innovation and practicability, the PBC carried out the pilot test of e-CNY to verify the reliability

of theories, stability of systems, usability of functions, convenience of processes, applicability of use cases and controllability of risks. It carried out research on key issues, innovated the use cases and eco-model of the e-CNY, kept a close watch on the international developments of central bank digital currency, and studied the improvement of the legal framework for e-CNY.

Improved the quality of RMB anti-counterfeiting work

By fully leveraging the role of the State Council Anti-Counterfeit Currency Joint Conference, the PBC coordinated and facilitated member organizations to ferret out major and severe counterfeit currency

cases. It convened the 51st contact person meeting of the State Council Anti-Counterfeit Currency Joint Conference, focused enforcement efforts on regions beset with counterfeiting crimes, and promoted the trial of special counterfeit currency cases. By innovating and exploring online publicity models, it stepped up the publicity campaigns on anti-counterfeit currency. The PBC comprehensively carried out the *Measures of the People's Bank of China for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication*, innovated the anti-counterfeit currency training mechanism, and enhanced the standardized identification capabilities of cash equipment, thereby improving the society-wide defense capabilities against counterfeit currency.

TREASURY MANAGEMENT

Receipts and payments of the treasury were secure and efficient

Treasuries at all levels continued to strengthen accounting and management, and handled budgetary receipt and payment transactions in a timely and accurate manner, to ensure the security of the treasury funds and the business system. As a result, the objective of achieving low risk and zero cases of unsafe transactions was met. In 2020, the treasury system of the PBC processed RMB44.86 trillion of receipts and RMB45.13 trillion of payments promptly and accurately, up 13.3 percent and 11.5 percent respectively. After the outbreak of the COVID-19, the PBC launched a green channel for treasury fund appropriation, to ensure that relevant staff are always on call, the business system operates steadily, treasury funds are appropriated in an accurate and highly-efficient manner, and the statistical data are precise and detailed. From January 22 to August 31, treasuries at all levels had processed a total of 192.305 thousand transfers of fund appropriation for COVID-19 containment, the total value of which amounted to RMB134.207 billion. Meanwhile, in close collaboration with tax authorities, the PBC optimized the refund process despite the tight schedule, heavy workload and huge pressure, upgraded the business system six times, and successfully completed the first settlement, payment and refund of annual personal income tax for comprehensive income in China, effectively benefiting the people's livelihood. As of end-2020, a total of 57.2313 million transactions of personal income tax refund had been handled, involving a total amount of RMB45.367 billion.

Institutional arrangements of the treasury were further improved

The PBC actively participated in the revision of the *Regulations on the Implementation of the Budget Law* to provide solid legal safeguards for the PBC to fulfill its state treasury management responsibility. The *Basic Management Rules on Treasury Accounting* was revised in light of the current situations of business development and IT application, in a bid to consolidate the foundation of treasury accounting. The PBC streamlined electronic tax refund procedures to provide convenience to taxpayers. Along with the MOF and the STA, the PBC introduced a number of policy measures to ensure the inclusion of social insurance funds in the treasury and transition of responsibilities for the collection and management of non-tax revenues.

The treasury IT system improved steadily

The PBC standardized management over treasury business processing center, reinforced daily system operation and maintenance, and earnestly performed its duties in system monitoring, parameter maintenance, business consulting, system optimization and upgrade as well as information reporting. In light of business requirements, it refined the system processing functions in time, to ensure the smooth operation of the treasury business system. In 2020, it launched the Treasury Information Processing System (TIPS) in two batches, with 271 banking financial institutions and clearing houses connected to it. The PBC further pressed ahead with the construction of the state treasury project, completed the letter of intent on project

requirements, and steadily advanced the formulation of the *Administrative Measures for Entrants into the Treasury Information Processing System (Interim)*. While establishing a daily monitoring and emergency response mechanism, the PBC promoted the collection of, inclusion into the treasury and transfer of social insurance premiums from 15 additional provinces (municipalities) and non-tax revenues from some regions. The PBC organized and coordinated 36 sub-treasuries to complete the testing and relevant filing of the tax payment business for third-party payment with tax authorities.

Treasury management quality was constantly improved

In line with the requirements of COVID-19 containment, the PBC adjusted the pace of issuing treasury savings bonds, and suspended the issuance from March to July 2020. From August to November, eight issues of treasury savings bonds were completed, with a total amount of RMB176.980 billion. RMB277.896 billion of treasury savings bonds were redeemed throughout the year. The PBC released the *Administrative Measures for Certificate T-bonds* to standardize the business development of certificate T-bonds. Solid measures were taken to remind the purchasers of treasury savings bonds to redeem them when due, so as to effectively protect the legitimate interests of the people. It participated in revising the *Management Measures for Formation of the Treasury Bond Underwriting Syndicates* and partnered with the MOF to form the new bond underwriting syndicates. The PBC continued to increase the availability of treasury bonds in rural areas, created new approaches and methodologies, and optimized supporting services.

Substantial results were achieved in overseeing the treasury

Following relevant guidelines of the State Council on RMB2 trillion of additional fiscal funds, the PBC worked

closely with the MOF and the National Audit Office through communication and coordination, and successfully collected funds of RMB1 trillion from the issuance of special treasury bonds in response to the COVID-19. Treasuries at all levels allocated and disbursed the newly-added fiscal funds in a timely manner, and exercised due oversight. It also conducted an in-depth study on the establishment and operation of treasuries at the township level. With on-site inspections of treasury business optimized and integrated, the PBC improved the quality and efficiency of inspections, further reducing the burdens on primary-level treasuries. It intensified supervision on treasury agents and guided relevant sub-treasuries to conduct comprehensive law enforcement inspections.

Fruitful outcomes were achieved in treasury statistical analysis

The PBC prepared on time the high-quality daily and monthly statements on the receipts, payments and deposits of the treasury, to ensure standardized use of statistical items, accurate data, and timely reporting. It fully tapped into treasury data and reinforced the structural analysis approach to improve the quality of treasury fund operation analysis. By paying close attention to the hot macroeconomic issues, the PBC conducted researches on such issues as the impact of the COVID-19 on macroeconomic operation and business operation, the effects of fiscal, tax and financial policy support, effectiveness and pressure from the advancement of fiscal and taxation reform, as well as the monetization of fiscal deficit. In line with the decisions and plans of the CPC Central Committee and the State Council, as well as the requirements to ensure stability on the six fronts and advance security in the six areas, the PBC provided adequate support for treasuries to ensure the smooth operation at the grassroots level, and assisted the MOF in strengthening the monitoring of county-level fiscal authorities in ensuring basic livelihood, salary and operating expenses.

Treasury cash management was carried out steadily

The PBC properly conducted the central treasury cash management and steadily promoted the pilot program of local treasury cash management, thus constantly improving treasury cash management. In 2020, the central treasury disbursed RMB280 billion in 5 term deposits, and received RMB280 billion in 5 term deposits with interest income of RMB610 million and a balance of zero at end-2020. The local treasuries made 74 term deposits that released RMB1.4070 trillion, and received RMB1.67825 trillion from 95 matured term deposits, with interest income of RMB9.912 billion and a balance of RMB441 billion at year-end. Based on the tendering and bidding of treasury cash management and the bidding rate movements, the PBC compiled weekly and monthly reports on treasury cash management in time. It improved the cash flow forecast methods of local treasuries, and improved the accuracy of forecast.

It also guided sub-treasuries to study and diversify cash management and operation instruments for local treasury, so as to gradually achieve refined operation.

Publicity campaigns were carried out on the 35th anniversary of the PBC acting as state treasury agent

In commemoration of the 35th anniversary of the *Regulation on the National Vault*, the PBC carried out extensive publicity campaigns on the 35th anniversary of the PBC acting as state treasury agent. The PBC posted publicity contents on treasury knowledge, the communist treasury history as well as the achievements of treasury in serving society and the people's livelihood on its official website and WeChat account. It also organized sub-treasuries to publish signed articles written by treasury leaders in journals and newspapers. Local treasuries at all levels innovated publicity approaches and conducted diversified publicity events with rich contents, which received good social response.

Table 1 Issuance of Treasury Savings Bonds, 2020

Type of Bonds	Issue No.	Date of Issue	Term (Year)	Coupon Rate (%)	Total Actual Issuance Amount (RMB100 million)
Certificate T-bonds	1st	9.10-9.19	3	3.80	210.56
	2nd	9.10-9.19	5	3.97	151.32
	3rd	11.10-11.19	3	3.80	184.71
	4th	11.10-11.19	5	3.97	134.85
	Subtotal				681.44
Electronic T-bonds	1st	8.10-8.19	3	3.80	300.00
	2nd	8.10-8.19	5	3.97	300.00
	3rd	10.10-10.19	3	3.80	226.98
	4th	10.10-10.19	5	3.97	261.38
	Subtotal				1 088.36
Total					1 769.80

Table 2 Term Deposits Disbursed by Central Treasury Cash Management at Commercial Banks, 2020 (New Deposits)

Date (Value date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	Expected Interest Income (RMB100 million)
Jul. 23, 2020	1st, 2020	500	2.70	1M	1.04
Aug. 21, 2020	2nd, 2020	500	2.70	1M	1.04
Sep. 21, 2020	3rd, 2020	800	3.00	1M	1.84
Oct. 26, 2020	4th, 2020	500	2.75	1M	1.05
Nov. 27, 2020	5th, 2020	500	2.95	1M	1.13
Total		2 800			6.10

Table 3 Term Deposits Disbursed by Central Treasury Cash Management at Commercial Banks, 2020 (Matured)

Date (Due date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	Actual Interest Income (RMB100 million)
Aug. 20, 2020	1st, 2020	500	2.70	1M	1.04
Sep. 18, 2020	2nd, 2020	500	2.70	1M	1.04
Oct. 19, 2020	3rd, 2020	800	3.00	1M	1.84
Nov. 23, 2020	4th, 2020	500	2.75	1M	1.05
Dec. 25, 2020	5th, 2020	500	2.95	1M	1.13
Total		2 800			6.10

Table 4 Provincial-Level Local Treasury Cash Management, 2020

Region	New Deposits	Amount (RMB100 million)	Deposits Matured	Amount (RMB100 million)	Balance at Year-End (RMB100 million)	Actual Interest Income (RMB100 million)
Beijing	3	830	5	1 430	0	5.98
Tianjin	0	0	0	0	0	0
Hebei	4	600	5	800	0	3
Shanxi	0	0	1	170	0	1.52
Inner Mongolia	0	0	0	0	0	0
Liaoning	0	0	0	0	0	0
Jilin	0	0	0	0	0	0
Heilongjiang	1	50	0	0	50	0
Shanghai	4	3 410	5	3 360	800	13.45
Jiangsu	5	800	7	1 090	250	7.99
Zhejiang	8	1 600	7	1 450	900	13.89
Anhui	0	0	1	80	0	0.32
Fujian	3	200	4	320	0	1.14
Jiangxi	6	1 225	7	1 305	500	9.68
Shandong	0	0	0	0	0	0
Henan	1	100	1	100	0	0.39
Hubei	1	200	3	700	0	2.11
Hunan	0	0	0	0	0	0
Guangdong	0	0	2	100	0	0.65
Guangxi	0	0	0	0	0	0
Sichuan	2	250	3	350	0	2.17
Chongqing	4	800	4	750	450	4.83
Guizhou	0	0	0	0	0	0
Yunnan	4	600	5	660	0	1.96
Tibet	0	0	1	270	0	2.46
Shaanxi	0	0	1	100	0	0.38
Gansu	0	0	0	0	0	0
Qinghai	4	180	6	287.50	0	2.17
Ningxia	10	240	9	210	90	0.87
Xinjiang	0	0	0	0	0	0
Qingdao	0	0	0	0	0	0
Dalian	0	0	0	0	0	0
Ningbo	6	700	6	680	250	2.62
Hainan	0	0	2	100	0	0.97
Shenzhen	6	2 240	5	2 240	1 120	19.33
Xiamen	2	45	5	230	0	1.23
Total	74	14 070	95	16 782.50	4 410	99.12

FINTECH

Leveraged both planning and regulation to open new prospects for the development of fintech

Planning and design was improved gradually. The PBC comprehensively implemented the Fintech Development Plan 2019-2021, successfully carried out the pilot of fintech applications in 6 ministries and 10 provinces and cities, and developed the assessment indicator system and excellent case library. It worked with the NDRC, MOF and SASAC in initiating the partnership campaign for digital transformation, and promoting the building of important infrastructures such as national fintech certification and assessment centers to accelerate the building of a modern financial system that is compatible with the development of digital economy.

The regulatory framework was preliminarily completed. Drawing on the international regulatory frameworks like the Basel Accords, the PBC designed the test-and-trial mechanism for innovation that is inclusive and prudent based on China's reality. It officially launched the Fintech Innovation Regulatory Facility after summarizing the pilot experience in 9 places. It researched risk monitoring platform for fintech applications and explored the adoption of regulatory technologies to monitor innovation risks and provide early warnings. The regulatory framework, which is based on regulatory facility, centered on regulatory rules and underpinned by digital-enabled approach, was preliminarily established.

Inclusive finance achieved remarkable results. The PBC guided financial institutions, technology companies and research institutions to form a fintech alliance and build distributed databases and joint laboratories of artificial

intelligence (AI). It also explored new mechanisms to connect financial resources with technological resources, and developed a new model of commercialization of achievements based on joint research of technology, co-development of scenarios, shared achievements and shared intellectual property. Under the guidance of development planning and regulatory facility, the financial sector actively applied big data, AI, blockchain and other technologies to integrate financial services into the arteries of the real economy, and penetrated into the capillaries of people's daily life including education, health care, transportation and social security, aiming to break through the last mile barrier of inclusive finance.

Solid progress was made in data work. The PBC planned the "1+n" data architecture, released data management measures, and built a management platform for data exchange. Internally, it aligned the data flow channels among business departments and bureaus, and between the Headquarters and branches. Externally, it set up a bridge to share information between the PBC and competent authorities of other industries, and among financial institutions, to improve integration and application of data elements. It also organized nationwide investigation of data risks to strengthen data security and personal privacy protection.

Research and exchange proved to be fruitful. The PBC held the second Chengfang Fintech Forum and invited well-known experts and scholars from home and abroad to conduct in-depth discussions on topics such as fintech innovation and regulation, financial data and digital transformation. By bringing Zhejiang University on board with the fintech research center of the PBC, it facilitated multi-dimensional and in-depth cooperation among the

corporate sector, educational institutions, academic institutions and users. The PBC conducted researches on fintech, providing a solid theoretical foundation for the development and regulation of fintech.

Pushed ahead with IT application to enhance the quality and efficiency of technological services

The PBC coordinated and guided its provincial data centers to integrate information systems, so as to promote its digital transformation, and conducted quality evaluation of application systems. By expediting the building of the PBC's government service platform and the Internet + regulation system, it enabled accessible government services via one website. It formulated new measures to improve anti-money laundering and IT-based treasury, bringing about high-quality service of the information system. With big data infrastructure platforms for provinces basically established, it made progress in expanding data sources, enhancing data governance, and exploring data applications. It also comprehensively scaled up the information sharing system among financial institutions to create a mobile Internet application platform integrating "convenience services, risk prevention, data sharing and financial regulation". As a technology leader in the financial sector, the PBC completed reviews for the 2020 Banking Technological Development Award, with 182 projects awarded. It also published the annual achievement report on the IT application of the banking industry, organized software testing forums, and strengthened industry exchanges and achievement sharing, steadily promoting the innovative application of financial information technology. It established the Innovation Ecology Lab for Financial Information Technology to achieve breakthroughs in core technologies in key areas. It also gave full play to the role of the Fintech Committee of China Society for Finance and Banking as a comprehensive research and communication platform that connects finance and technology for synergies.

Enhanced the guidance and coordination to ramp up cyber security in the financial sector

The PBC strengthened the cyber security graded protection in the financial sector, and issued a series of standards for cyber security graded protection, cyber security testing, and data classification in the financial sector to forestall cyber security risks. It organized the financial sector for attack-and-defense exercises and issued the plan of the assault-style attack-and-defense exercises for the important information systems of the PBC, to comprehensively strengthen the technical defense capability and put up a defense line for cyber security in the financial sector. It also issued the cyber security examination and pre-judgment guidelines for the financial sector to guide their examination of cyber security. It worked out plans for cyber security emergencies of key information infrastructures in the financial sector, and reinforced the emergency system for cyber security. The PBC also issued application indicators and baselines of commercial codes in the financial sector to ensure the steady progress of code application. The cyber-security situation sensing and information sharing platform for the financial sector took shape, covering nearly 3 000 financial institutions, with an average daily collection of tens of millions of operational indicators and millions of threat intelligence.

Strengthened standard formulation and implementation to support the building of a new development paradigm

Financial standardization was an active move in serving domestic circulation. In 2020, the PBC issued 2 national standards and 41 sectoral standards, and made public 25 currently effective group standards and 4 307 standards for enterprises. It continued with the development of two mandatory national standards, including the *Technical Standards for the Detection Capacity of RMB Cash Equipment* and the *Basic Security Requirements*

for Bankcard Processing Terminals. The effectiveness of financial standardization was fully utilized, and the standards rolled out for COVID-19 prevention and control effectively supported financial institutions to maintain efficient and stable operation during the outbreak of COVID-19. The standards of financial risk prevention and control created a fintech innovation environment that is healthy, orderly, inclusive and prudent, further safeguarding the legitimate rights and interests of financial consumers. The PBC continuously promoted the application and implementation of financial standards, launched a campaign to identify enterprise standard pacesetters, engaged financial institutions in the themed campaign on using financial standards for the benefit of society and enterprises, and completed the final acceptance of the pilot program of financial standards innovation in Chongqing municipality and Zhejiang province.

Financial standardization facilitated domestic and international circulation. In September 2020, the *Specifications for the Description of Banking Products and Services* was officially released, the first ISO financial services standard organized and formulated by Chinese experts. Chinese experts took the lead in formulating a number of international financial standards, including those on mobile payment, blockchain and green finance. International standards such as the universal financial industry messaging scheme and the unique transaction identifier (UTI) were converted in an orderly manner. The PBC also compiled English, Lao and Burmese versions of the national standards for services at bank outlets. More than 35 thousand domestic institutions were LEI-coded, while the *Roadmap for the Application and Implementation of the Global Legal Entity Identifier (2020-2022)* and a number of application rules were issued to support cross-border trade and transaction needs.

CREDIT INFORMATION AND THE SOCIAL CREDIT SYSTEM

Increased the effective supply of credit information market to improve the quality of credit information services

The PBC promoted the application of blockchain in credit information. Following the strategic deployment of the CPC Central Committee regarding the integrated development of the Yangtze River Delta, the PBC worked for the establishment of an integrated and market-based credit information system in the Yangtze River Delta and steadily advanced the blockchain-based credit information interconnectivity. It also took the lead in carrying out the pilot application of blockchain to credit information in the Yangtze River Delta and organized the building and launching of a regional integrated credit information alliance chain, so as to facilitate the cross-region interconnectivity of enterprise credit information and explore an effective approach to building a credit information system covering the whole society.

The PBC coordinated the credit information system to support regular COVID-19 containment and the resumption of work and production. First, personal data protection was strengthened across the board while credit information policies for the four groups of people affected by the COVID-19 were adjusted in time. Measures to reduce or exempt credit information service charges were phased in, benefiting nearly 4 000 companies with nearly RMB1 billion charges waived. Second, the second-generation credit information system for basic financial credit information database was launched, with data collection capability, product service capability, system operation performance and security management comprehensively improved, and the information coverage and credit query channels

expanded. By the end of 2020, the basic database covered 1.1 billion natural persons, 60.923 million enterprises and other organizations. Third, the pilot program of single registration for movable property guarantees and the target of accounts receivable financing were completed with great success, constantly improving the business environment. In 2020, about 3.1969 million transactions were registered at the single registration and public notification system for movable properties financing and 49.374 million queries were conducted. The platform for accounts receivable financing service helped MSMEs secure nearly RMB2.1 trillion of financing, surpassing its annual target of RMB800 billion.

The PBC steadily advanced the market access of personal credit information agencies. By adapting to the development of new technologies and new market demands, the PBC promoted large Internet companies to participate in the establishment of new personal credit information agencies as shareholders, and achieved the collection, sharing and application of personal non-lending alternative data through market-based mechanisms. On December 25, 2020, the PBC officially approved the application of Pudao Credit for personal credit reporting.

The PBC expedited the establishment of local credit information platforms. It guided its branches to build local credit information platforms by strengthening communication with local governments, and to provide information support for financial institutions based on the data of MSBs from local governments. The Taizhou Model and Suzhou Model of local credit information platforms were replicated and scaled up nationwide, with six provincial platforms and more than 30 prefecture-level

platforms established. Platforms such as Yuexinrong in Guangdong and Tianfutong in Chengdu played an active role in stabilizing businesses and securing employment.

The PBC actively promoted the development of market-based enterprise credit agencies. It steadily opened up the credit information market, handling the filing of enterprise credit information service by CRIF (Shanghai) Business Information Service Co., Ltd., a wholly-owned subsidiary in China of CRIF, an Italian credit information agency. Under the PBC's guidance, credit agencies created diverse credit reporting products tailored to the needs of MSB financing by leveraging non-lending alternative data generated from market supervision, tax payment, production and operation, and payment of utility bills and by applying technologies like blockchain and big data. The move was expected to help MSBs without credit history get their first credit products. Based on a sample of seven enterprise credit agencies, the PBC continued with the quarterly monitoring of credit reporting services for MSB financing.

Accelerated the supply-side structural reform in the credit rating industry to improve the quality of credit rating

The PBC advanced the opening-up of credit rating industry in a steady and orderly manner. On May 14, 2020, the Fitch (China) Bohua Credit Ratings Co., Ltd., a wholly-owned subsidiary of the US-based Fitch Ratings, filed for credit rating services and became the second foreign-funded credit rating agency to run business in China.

The PBC supported the high-quality development of local credit rating agencies by introducing domestic leading private fintech enterprises into the credit rating industry to explore the means to support the financing and development of MSMEs through credit rating.

The PBC advanced steadily the integration of credit rating resources. It continued to promote and encourage the integration of different credit rating agencies under the

same actual controller, and pushed forward the supply-side structural reform of credit rating. In February and October 2020, CCXI and Lianhe Credit completed cross-market integration respectively, which helped eliminate the difference in credit ratings on different markets and promote the interconnectivity of China's bond market.

The PBC enhanced the international competitiveness of local credit rating agencies. Local rating agencies carried out sovereign ratings of more than 100 countries and regions in the world, and three rating agencies from the mainland set up branches in Hong Kong.

The PBC promoted the development of credit ratings of micro-finance companies and financing guarantee companies. It encouraged provincial agricultural credit guarantee companies to cooperate with credit reporting agencies and rating agencies to prevent credit risks. By the end of 2020, a total of 12.644 thousand ratings of the above two types of institutions were completed.

The PBC steadily carried forward internal (enterprise) credit ratings. With focus on the rating quality, the PBC made full use of central bank internal (enterprise) rating to serve the implementation of monetary policy. By the end of 2020, the PBC had rated a total of more than 170 thousand enterprises, supporting RMB340.4 billion worth of central bank lending. In 2020 alone, 43 thousand enterprises were rated through the central bank internal rating system, involving RMB92.3 billion worth of central bank lending.

Strictly punished violations of regulations to safeguard the rights of information owners

The PBC enhanced oversight on institutions accessing the basic financial credit information database by unifying the law enforcement inspections, refining inspection process, and unifying inspection mechanism, content and punishment. It also strengthened the regulation over online credit information business of accessing agencies to

improve the effectiveness and pertinence of regulation over new online business.

The PBC strengthened regulation of the credit information market and punishment of violations. It strengthened guidance of Baihang Credit and conducted on-site inspections and off-site regulation to safeguard the lawful rights of individual information owners. It harshly punished Pengyuan Credit for being illegally engaged in personal credit reporting business, with a fine and confiscation of nearly RMB20 million. In 2020, 10 enterprise credit agencies that were not engaged in credit reporting business for long were deregistered, whereas 13 institutions with advanced data processing technology, stable data sources and clear market demand filed with the PBC for enterprise credit reporting service. 131 enterprise credit agencies had filed with the PBC by the end of 2020.

The PBC stepped up regulation of credit rating market and punishment of violations. It conducted special investigations on credit rating agencies with concentrated negative public opinion. It prudently advanced the filing of credit rating agencies by guiding its branches to re-register the existing credit rating agencies under their jurisdictions, standardizing and rectifying the rating market, and promoting the survival of the fittest in the rating market. By the end of 2020, 44 rating agencies had been weeded out and the number of filed agencies had decreased by 46 percent compared with the end of the prior year.

The PBC resolutely implemented CPC's decisions by strengthening anti-monopoly and preventing the disorderly expansion of capital. To regulate personal information service of large Internet platforms, the PBC accelerated the study and formulation of the *Measures for the Administration of Credit Reporting Services*. All the businesses that serve financial and economic activities and inform the judgement of the credit status of individuals and enterprises were brought under credit information regulation so as to standardize the practice of credit reporting agencies. The PBC also deep dived into research,

summarized the policies and measures to regulate the information service activities of large Internet enterprises, and imposed strict punishment on illegal activities that infringed on personal privacy and the rights and interests of information owners.

The PBC improved the quality of addressing complaints about credit reporting as a way to protect the legal rights of the credit information owners. In 2020, the PBC Headquarters accepted 105 letters from the public and its branches handled 274 complaints about credit reporting, all of which were resolved on time.

Adhered to the construction of a law-based social credit system

The PBC pushed forward the development of social credit system together with NDRC. In 2020, the NDRC and the PBC submitted to the General Office of the State Council the *Guiding Opinions on Further Improving the Discredit Restraint System and Building a Long-Term Mechanism for Social Integrity*, which clearly proposed that the development of social credit system should adhere to four important principles of strict compliance with laws and regulations, accurate definition of scope, appropriate punishment for discredited behaviors, and reference to international experience. It also stipulated that the inclusion, sharing and disclosure of public credit information, identifying the list of seriously discredited subjects, and punishing discredited behaviors must strictly abide by laws, regulations or policies of the CPC Central Committee and the State Council, which has laid the institutional foundation for developing social credit system in an orderly manner and in accordance with law.

The PBC comprehensively promoted the development of a credit system for MSMEs and rural areas by guiding its branches to further build credit systems for MSMEs and rural areas to help creditworthy MSMEs and rural households grow through financing. As of the end of 2020, a total of 200 credit information systems for MSMEs were

built across China. Data collected or shared by these information systems basically covered local MSMEs. A total of 270 credit information systems were built for rural households, and credit archives were built for 190 million rural households.

The PBC held outreach events through multiple channels.

It conducted outreach campaigns mainly through online publicity supplemented by offline activities. On June 14, the Credit Care Day, the PBC guided its branches to organize credit information institutions, accessing agencies, and rating agencies within their jurisdictions to work with various online and offline media to widely publicize and disseminate outreach works.

Leveraging the Blockchain Technology to Build a Credit Information System that Covers the Entire Society

Box

In accordance with the decision and plan of the CPC Central Committee and the State Council to accelerate the building of a credit information system that covers the entire society, the PBC actively explored the use of blockchain and other trustworthy technologies to promote the cross-region interconnectivity of enterprise credit information, and successfully established the Credit Information Chain in the Yangtze River Delta (CICYRD). The credit information interconnectivity between different credit agencies realized through the regional integrated credit alliance chain, was a major initiative to improve the all-inclusive credit information system, which would further drive the high-quality development of China's credit information industry.

Based on the alliance chain technology of blockchain, CICYRD fully utilized the weak centralization, disintermediation, tamper resistance and other features of the blockchain, and realized the sharing of enterprise credit information without changing the data ownership and management rights, thus effectively solving credit information sharing problems across industries and regions. The CICYRD adopted the Wutong Chain independently developed by China as its underlying technology, with the

first batch of pilot institutions covering 11 nodes in 8 cities across three provinces and one municipality in the Yangtze River Delta region (namely Jiangsu province, Zhejiang province, Anhui province and Shanghai municipality). The number of nodes and the total capacity of the system could be scaled up. As the central node of the CICYRD, the PBC exercised the end-to-end online oversight of credit information business on the chain. By the end of 2020, 8.86 million enterprises and 84.559 million pieces of credit information were incorporated into the CICYRD, covering information on the basics of enterprises, operation, financing, mortgage and seizure, lawsuits, and negative information. The CICYRD was used by 119 financial institutions, with 580 enquiry accounts opened, more than 6 000 queries authorized and 1 007 loans extended, involving a credit amount of RMB7.93 billion.

I. Breaking the information silos to realize the co-development, co-governance and sharing of the credit information system

On the one hand, demands of all parties were taken into account to promote the interconnectivity of different data source units in different regions. The PBC eliminated the

concerns of data source units about information security risks, legal barriers and the distribution of economic benefits, and successfully realized the integration of financial data, government data and enterprise data. Best practices in this regard included the Taizhou Model, featuring a leading role by local government in providing MSB credit information services to market players, and the Suzhou Model, under which market players play a leading role in providing MSB credit information services while the local government facilitates. On the other hand, the market-based mechanism was adopted to motivate data source units to share information. Based on the concept of whoever provides data can charge fees and whoever uses data should pay for data sources, the PBC defined the market-based principle of credit information sharing. With the platform of CICYRD, it could accurately measure the data used and provided, linking contribution value with economic value, and effectively guiding and encouraging data source units to actively participate in information sharing.

II. Improving regulatory skills to achieve online look-through and tamper resistance of credit information regulation

First, the PBC exercised end-to-end online regulation of credit information business. As an upstream node, the PBC could conduct real-time monitoring of information uploading, query authorization and user operation, which contributed to the comprehensive regulation on the credit information business of institutions on the chain, and the improvement of regulatory capability. Second, the PBC, as the central

node, strengthened its regulatory function. While decentralizing business, the PBC still adhered to centralized regulation, and achieved online look-through regulation by recording and storing enterprise information catalogue and the end-to-end credit information operation on the chain, and leveraging the tamper-resistant feature of blockchain.

III. Highlighting information security and making information sharing safe, controllable and traceable

The PBC always stressed information security while using the blockchain technology to fully explore the potential value of credit information. First, the underlying technology was indigenous, secure and controllable, as the underlying technology of the CICYRD was totally developed domestically. Second, original data was stored locally. The PBC made it possible for each data source unit to only store the data summary value on the chain by using the blockchain encryption technology, and realized information sharing without changing the data ownership and management rights, providing a safe and controllable way to establish a credit information system that covers the entire society. Third, institutional arrangements were prioritized. The PBC formulated the *Rules for Access to Nodes of the Credit Information Chain in the Yangtze River Delta* and *Guidelines on Information Security of the Application Platform of Credit Information Chain in the Yangtze River Delta (Trial)*, putting forward explicit and specific requirements for access to nodes and information security.

Box

Tapping the Role of Accounts Receivable Financing Service Platform in Supporting MSME Financing

In accordance with the plan of the CPC Central Committee and the State Council for strengthening the financial services for MSMEs, the PBC explored activating the accounts receivable held by MSMEs through tapping the role of accounts receivable financing service platform (hereinafter referred to as the financing service platform) to ease the financing difficulties and costs for MSMEs, and find out effective approaches to enabling the financial sector to serve the real economy, ensuring stability on the six fronts and advancing security in the six areas.

I. The construction and operation of the financing service platform got support from the state

The financing service platform was put into use officially in 2013, and the PBC Credit Reference Center is responsible for the development and operation of the platform. The *Law of the People's Republic of China on the Promotion of Small and Medium-Sized Enterprises* clearly states that the State encourages small and medium-sized enterprises (SMEs) and payers to confirm creditor-debtor relationship through the accounts receivable financing service platform, improve financing efficiency and reduce financing costs.

The financing service platform can provide core functions with the support of fintech, such as providing commercial banks with original transaction information of core enterprises, government agencies and MSMEs through online channels, improving the efficiency of trade background checks by commercial banks, and addressing the shortage of eligible collaterals in MSME financing. The platform

can alleviate pain points of commercial banks such as the difficulty of rights confirmation and risk control, which would further improve the financing convenience and reduce financing costs for MSMEs.

II. The effort to support MSME financing through the financing service platform produced remarkable outcomes

The financing service platform serves diversified market players from a wide range of industries, and had supported the financing of supply chain enterprises in 19 industries. Thanks to the platform, many MSMEs obtained loans for the first time. By the end of 2020, the accounts receivable financing service platform helped secure RMB13.3 trillion of financing in 264 thousand transactions, among which, RMB10.1 trillion in 209 thousand transactions was for MSMEs, accounting for 76.1 percent and 79 percent of the total financing amount and transaction volume respectively. In 2020, a total of 65 thousand financing transactions were secured, with a financing amount of RMB2.7 trillion, a year-on-year increase of 41.0 percent and 22.2 percent respectively.

Meanwhile, the financing service platform resulted in lower interest rate, and improved the efficiency of financing. The average interest rate on online financing through the financing service platform was about 4.8 percent, with the lowest being only 2.8 percent, which was generally 2-3 percentage points lower than the rate on offline financing. Loans could be extended in T+1 working days, with the fastest disbursement on the same day.

III. The task of accounts receivable financing was overfulfilled

The outbreak of COVID-19 in 2020 caused huge operating pressure on China's MSMEs, further highlighting the crucial role of accounts receivable financing in easing the funding strains of MSMEs. The executive meeting of the State Council held on March 31, 2020 clearly required efforts be made to help MSMEs raise RMB800 billion through accounts receivable financing in 2020.

Following the plan of the State Council, the PBC

fully tapped the role of the financing service platform and, through policy guidance and publicity, encouraged core enterprises, fiscal departments, commercial banks and other parties to participate in accounts receivable financing. In 2020, the financing service platform helped MSMEs secure RMB2.1 trillion accounts receivable financing, surpassing the target of RMB800 billion. It had 73 core enterprises, 15 fiscal departments, 18 large state-owned banks and joint-stock banks, and 43 local commercial banks connected to its system, which greatly helped the financial sector support the effort to stabilize businesses and secure employment.

ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Enhanced anti-money laundering coordination mechanisms

In line with the arrangements made at the 10th inter-ministerial joint conference on anti-money laundering (AML), four dedicated working groups on institution building, regulation, law enforcement and international cooperation were established under the framework with the PBC taking the lead while other members of the joint conference being responsible for their assigned duties, in order to reinforce work communication and push departments to perform their duties. The inter-ministerial joint conference on AML put in place a briefing system to reflect the work on AML by members and urge them to step up efforts on AML. The PBC established a long-term cooperation mechanism on AML regulation with financial regulators to continue with joint regulatory activities, carried out sectoral money laundering risk assessment with competent authorities of certain non-financial industries, and partnered with relevant departments to organize major special campaigns to crack down upon money laundering and relevant criminal activities, with positive results achieved.

Expedited the improvement of AML laws and regulations

The PBC steadily advanced the revision of the *Anti-Money Laundering Law* by soliciting opinions from the central government and relevant authorities of the state for two rounds and organizing meetings for expert evaluations, and thus completed the *Anti-Money Laundering Law (Revised Draft)*. Together with the National Supervisory Commission and other departments, it came up with

legislation proposals on improving the provisions on money laundering in the *Criminal Law*, and promoted the inclusion of the revision of money laundering crimes into the *Amendment (XI) to the Criminal Law*, to provide legal guarantee for effectively punishing self-laundering. It drafted the *Measures for the Supervision and Regulation of Anti-Money Laundering and Counter Terrorist Financing by Financial Institutions (Revised Draft)* and the *Administrative Measures for Client Due Diligence and Client Identity Information and Transaction Records-Keeping by Financial Institutions (Revised Draft)*.

Intensified risk-based AML regulation

The PBC strengthened risk-based AML regulation, and continued to intensify law enforcement inspections, with focus on improving the effectiveness of responsible institutions in performing AML duties. It guided responsible institutions to make scientific arrangements for AML work during the outbreak of COVID-19, and adopted simplified measures for customers and transactions involved in COVID-19 containment. Based on the sustained tough regulatory measures taken in recent years, the PBC stepped up efforts in coordinating law enforcement inspections across the whole system, and further defined the model of law enforcement inspection with incorporated institutions as the target. Overcoming the impact of the COVID-19, AML departments within the PBC at various levels conducted on-site AML inspections or administrative penalty investigations in 614 responsible institutions in the year, imposing penalties on 537 responsible institutions and 1 000 individuals in line with the law, with total

finances reaching RMB526 million and RMB24.68 million respectively. The PBC organized 917 reviews to prompt responsible institutions to speed up the implementation of rectification measures. It studied and improved its risk assessment methods for responsible institutions, and completed inherent risk assessment for 15 large commercial banks. Meanwhile, efforts were made to conduct money laundering risk assessment for certain non-financial industries and the payment industry as well as studies on money laundering risks in the auction, and films and television business. The interactive platform for AML regulation was upgraded, the AML inspection data analysis system was tested, and regulatory technologies were used to improve the capacity for AML regulation.

Continued to conduct AML investigations and funds monitoring

With a holistic approach to national security, the PBC performed an in-depth analysis of money laundering typology, sorted out the latest changes in money laundering tricks and features of suspicious transactions, issued risk alerts on new money laundering tricks involved in illegal trading of wild animals and underground banks, and instructed responsible institutions to adjust and optimize the monitoring model so as to intensify risk monitoring and early warning. It actively supported relevant authorities in a series of major special national campaigns such as cracking down on gang crimes, counter-terrorism, anti-corruption, drug control, and combating underground banks and tax frauds. It launched the special rectification of lending practices under the special national campaign on combating organized crime and rooting out local criminal gangs together with the CBIRC and the Ministry of Public Security (MPS), with notable results achieved. The PBC also completed the development and testing of e-Platform for the AML investigations, laying a solid foundation for putting it into operation.

Throughout the year, 16.926 thousand suspected trading clues were found and received. After research, analysis and AML investigations, 5 987 clues were transferred to investigation authorities. The PBC assisted investigation authorities in 3 321 cases by conducting AML investigations, helped solve 710 cases suspected of money laundering, and promoted the ruling of 197 cases in the light of money laundering crimes in the Article 191 of the *Criminal Law*, over two times that of last year. With this, money laundering crimes were cracked down upon heavily, and financial security and national security were safeguarded.

The China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) stepped up support and cooperation in major special arrangements made by the central government, and assisted in the critical battle of preventing and defusing financial risks and the battle against the COVID-19, providing 6 094 batches of financial intelligence to discipline and law enforcement authorities in 2020. With further enhanced management capabilities over reporting institutions, it received 2.5867 million reports on suspicious transactions throughout the year, and the number of reporting institutions registered with the system increased to 4 319. The National AML Database further enhanced its capabilities for unified management of data receipts and uses, and the second-generation AML monitoring and analysis system was launched as a whole. Furthermore, the existing international cooperation mechanism on financial intelligence was put to good use for the AML fund monitoring.

Continued to deepen international cooperation on AML

The PBC pushed ahead with the rectification work after international evaluation, with ratings of three technical compliance indicators in the financial sector improved. It vigorously performed its responsibilities during the Chinese

Presidency of the Financial Action Task Force (FATF), successfully organized the FATF's first virtual plenary meeting in history, released the President Statement on COVID-19, and conducted reviews on global AML strategies. While strengthening the capacity building of global AML network and regional AML organizations, the PBC contributed plans aligned to international consensus to improve global AML governance. Additionally, it continued to assign personnel to take important positions in FATF, the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the Asia/Pacific Group on Money Laundering (APG), and actively participated in the internal governance and mutual

evaluation of international organizations, constantly increasing its contributions to the international effort on AML. It also strengthened communication on AML with the US, Russia, Japan and other jurisdictions, continued to deepen cooperation on border AML and combating financing of terrorism (CFT) with neighboring countries and regions, such as the Lao People's Democratic Republic, Mongolia and Vietnam, and developed an AML information notification and coordination mechanism between the mainland and Hong Kong and Macao. The CAMLMAC signed a Memorandum of Understanding (MoU) on financial intelligence exchange and cooperation with the Philippines' Financial Intelligence Unit (FIU).

FINANCIAL CONSUMER PROTECTION

Improved constantly the coordination mechanism for financial consumer protection

The PBC stepped up efforts in overall planning, communication and coordination for financial consumer protection, further refined the coordination mechanism of the PBC, CBIRC and CSRC for financial consumer protection, and discussed priorities for financial consumer protection at quarterly meetings. By strictly following the requirements of the *Opinions of the Office of the Financial Stability and Development Committee on Establishing the Local Coordination Mechanism*, the PBC gave full play to the local coordination mechanism established by the Office of the FSDC, and improved coordination of financial consumer protection, creating a sound financial environment.

Achieved fruitful results in the institution building of financial consumer protection

The PBC continued to elevate the level of laws and regulations governing financial consumer protection, as the *Implementation Measures of the People's Bank of China for Financial Consumer Protection* (hereinafter referred to as the Measures), which serves as a department regulation, was officially released on September 18, 2020 and took effect on November 1. The Measures further added to the eight rights of financial consumers, improved requirements for financial marketing and promotions to adapt to the new situation, optimized relevant sections concerning protection of consumers' financial information, and further refined the resolution mechanism for financial consumption disputes and the third-party alternative dispute resolution (ADR) mechanism. It fully reflected the revised *Provisions on the Functions, Organization Structure and Staffing of*

the People's Bank of China, defined legal responsibilities properly, and thus effectively tackled the problems of low costs of breaking laws and rules on financial consumer protection.

Steadily advanced financial consumer education and financial knowledge dissemination

Considering relevant requirements for prevention and control of the COVID-19, the PBC organized and carried out financial awareness activities, such as Financial Consumer Day and Improve Financial Literacy to Keep Your Purse Safe. Together with the CBIRC, CSRC and Cyberspace Administration of China, the PBC launched a Financial Knowledge Dissemination Month to bring financial knowledge to the general public, and encouraged them to become rational investors and good financial netizens. It also established an integrated landscape featuring full coverage of financial regulators, financial knowledge dissemination, online and offline publicity channels and a full spectrum of financial consumers. The pilot development of financial education demonstration bases was kicked off across the board, laying a solid foundation for regular financial education and dissemination. The PBC pressed ahead with the inclusion of financial knowledge into the national educational system at multiple levels, and developed online financial education courses for primary and middle school students, to further build the long-term mechanism for disseminating financial knowledge.

Enhanced capabilities of governing financial advertising and marketing activities

Along with the CBIRC, CSRC and SAFE, the PBC proactively facilitated the implementation of the *Circular on*

Further Standardizing Financial Marketing and Promotions, and refined the coordination mechanism for financial advertising governance across departments and between the central and local governments. It monitored and dealt with 7 610 clues of financial marketing suspected of violating laws or regulations in 2020, intensified monitoring in such key fields as the COVID-19 containment and consumer finance, transferred relevant clues to competent authorities for prosecution in line with the law, and developed and launched the WeChat applet “financial advertisement snapshot” to further enhance monitoring of financial advertising.

Made remarkable achievements in supervision, inspection and assessment of financial consumer protection

The PBC actively carried out law enforcement for financial consumer protection by announcing the supervision and inspection results of 2019, conducting comprehensive law enforcement inspections, arranging special inspections, guiding branches to perform over 400 on-site inspections, and preparing the inspection manual. It went all out to conduct special investigations into actions that harmed consumer financial information security. The PBC instructed relevant branches to investigate into the harmful actions and impose administrative penalties in line with the law. Talks were also held at the corresponding level with the head office, provincial branches of the institutions involved in wrongdoing as well as the institutions themselves, followed by compulsory rectifications. By announcing investigation and punishment results, the PBC adopted a zero-tolerance attitude towards violations. It also advanced the assessment of financial consumer protection, guided branches to conduct the assessment work of 2019, and carried out creative activities such as dialogues with institutions and tests of required knowledge and skills. The PBC stepped up communication with the CBIRC on assessment results, and provided the assessment results of 18 national banks. When arranging the assessment work of 2020, it included first-tier branches into the

overall assessment of national banks for the first time, and further standardized the assessment standards. The PBC continued to enhance risk warning and the development of case database, and published a series of books on typical cases. In response to incidents that stirred public opinions such as selling bank customer data on dark web and consumer information leaks by banks, the PBC held regulatory talks with relevant institutions in time, urging them to perform their primary responsibilities.

Improved the quality and efficiency of complaint management

The PBC made utmost effort to manage complaints from financial consumers during the outbreak of COVID-19 and under the regular COVID-19 containment, smoothed out the complaint channels for financial consumers, held financial institutions accountable for resolving complaints, organized contest of financial consumer protection skills, and exerted great efforts to build the 12363 into a heart-warming hotline. Its branches received 64 thousand complaints from financial consumers and settled 97.7 percent of them in 2020. The PBC continued to implement the complaint classification standards for banking financial institutions, launched the monitoring and analysis system for statistics on complaints from financial consumers, and further intensified the monitoring of complaints about banking financial institutions, to identify, discover and alert common issues and risks of the industry as early as possible. While adhering to and developing the Fengqiao Experience in the financial sector in the new era, the PBC pressed ahead with the development of a diversified resolution mechanism for financial disputes, and guided the Financial Complaint Ombudsman Service Center to achieve high-level system connection with the mediation platform of the Supreme People's Court, so as to facilitate the more convenient and efficient one-stop resolution of social contradictions and disputes at lower costs through legal means. As of the year-end, under the guidance of the PBC and its branches at all levels, 292 financial dispute mediation organizations were founded. In 2020, local financial dispute

mediation organizations mediated over 15 thousand financial disputes, nearly 10 thousand of which were mediated online.

Boosted financial inclusion in an orderly way

Working with the CBIRC, the PBC took stock of the implementation of the *Plan for Boosting the Development of Inclusive Finance (2016-2020)*, and explored the formulation of the guiding opinions for advancing the high-quality development of inclusive finance in the 14th Five-Year Plan period. It deepened the development of the indicators system for inclusive finance, issued the *Analysis Report on China's Inclusive Finance Indicators* for the third consecutive year, built the Inclusive Finance Indicators System in the Yangtze River Delta for the first

time, and published the *Analysis Report on Inclusive Finance Indicators in the Yangtze River Delta*. The PBC established and refined the inclusive finance contact mechanism for financial institutions to keep abreast of the developments of inclusive finance by commercial banks in time, and compiled the report on inclusive finance performance on a quarterly basis. It conducted investigations and studies on the support of inclusive finance to COVID-19 containment and the recovery of the real economy. The PBC also strengthened international exchange and cooperation on inclusive finance by participating in the work of the Global Partnership for Financial Inclusion (GPFI) and the Alliance for Financial Inclusion (AFI) under the G20 framework, and engaging in the Financial Inclusion Global Initiative (FIGI).

Significant Results Achieved in Implementing the Plan for Boosting the Development of Inclusive Finance (2016-2020)

Box

As the *Plan for Boosting the Development of Inclusive Finance (2016-2020)* (hereinafter referred to as the Plan) wrapped up in 2020, the PBC and CBIRC jointly evaluated the implementation of the Plan. Since the State Council issued the Plan, all tasks set forth in the Plan have been completed on schedule thanks to concerted efforts of all parties. With broader coverage, financial services have become increasingly accessible with higher satisfaction, steadily improving China's international influence in inclusive finance.

I. Broader coverage of financial services. In counties and rural areas, financial institutions are available in nearly all townships, services are

accessible in nearly all villages and almost all households have bank accounts. As of the end of 2020, the coverage of bank outlets in villages and towns nationwide reached 97.13 percent, and the coverage of payment service featuring cash withdrawals with bankcard in village-level administrative regions was 99.31 percent, enabling farmers to access basic payment services without leaving their villages and thus facilitating the connectivity of the last mile of financial services. The sustained innovative development of the digital inclusive finance significantly boosted the coverage of and service capabilities for the vast "long-tail" customer base and the MSB customers.

II. Wider access to financial services. With policy support for inclusive finance increasing significantly, innovation of financial products and services was active, while financial support for MSBs and poverty alleviation became stronger. MSB financing increased in volume and coverage. At end-2020, outstanding inclusive MSB loans reached RMB15.1 trillion, an increase of 30.3 percent year on year. These loans supported 32.28 million MSBs, an increase of 19.4 percent. Positive results were achieved in targeted poverty alleviation with financial means. From the beginning of the battle against poverty, RMB668.8 billion of central bank lending was provided to poverty alleviation projects and RMB9.2 trillion of loans issued by the financial sector to targeted poverty alleviation projects, benefiting more than 90 million people in poverty and lifting all poverty-stricken counties out of poverty.

III. Higher satisfaction of financial services. The financing costs of the financially underserved groups such as MSBs substantially declined. In December 2020, the interest rate on new inclusive MSB loans was 5.08 percent, down 0.8 percentage points year on year. The issuance of unsecured loans jumped. In 2020, a total of RMB3.9 trillion of inclusive unsecured loans to MSBs were provided by banking financial institutions, RMB1.6 trillion more than that in 2019. With the basic financial credit information database refined constantly and the scope of information collection further

expanded, the credit inquiry costs of inclusive financial service providers were further reduced. By the end of 2020, the database recorded the credit information of 1.1 billion natural persons and 60.923 million enterprises and other organizations. MSB credit information models such as the Taizhou Model and the Suzhou Model were developed, which were replicated and scaled up in many places. Positive progress was also made in financial consumer protection and education, as the *Implementation Measures of the People's Bank of China for Financial Consumer Protection* was released, financial knowledge dissemination and publicity activities were carried out, and consumer financial literacy improved steadily.

IV. Greater international influence in inclusive finance. The PBC contributed to a number of outcome papers on financial inclusion during the G20 Hangzhou Summit, including the *G20 High-Level Principles for Digital Financial Inclusion*, *G20 Action Plan on SME Financing Implementation Framework* and *G20 Financial Inclusion Indicators*. The PBC led the GPFI topic reform under the G20 framework, and pushed the effort to include digital inclusive finance and SME financing as the long-term financial inclusion topics of the G20. Moreover, the PBC and the World Bank co-published the report *Toward Universal Financial Inclusion in China: Models, Challenges, and Global Lessons* and jointly launched the FIGI China.

INTERNATIONAL FINANCIAL COOPERATION AND GLOBAL ECONOMIC GOVERNANCE

Promoted international financial cooperation to combat COVID-19

The PBC strengthened international policy coordination during the outbreak of COVID-19, developed the *G20 Action Plan in Response to COVID-19* together with other G20 members, and made concerted efforts in adopting available policy tools to address the impact of COVID-19, maintain financial stability and facilitate economic recovery. It actively shared with important international organizations and major central banks the latest COVID-19 developments in China, prevention and control measures as well as China's experience in fighting COVID-19, and provided medical supplies, which demonstrated China's commitment as a responsible major player in the international community. By strengthening communication with important international organizations such as the IMF, the PBC enabled the international community to have a profound understanding of China's successful experience in resolutely implementing COVID-19 prevention and control policies and in efficiently promoting the resumption of business and production and economic recovery through macroeconomic policies. Consequently, major international organizations made positive and objective assessment of China's economic and financial developments.

The PBC took an active part in the IMF's crisis prevention and response efforts and the COVID-19 containment initiatives of multilateral development banks, which provided support for multilateral crisis relief. Since the outbreak of COVID-19, China has been actively supporting the reform of IMF lending facilities and promoting the issuance of additional SDRs to increase the resources of low-income countries to deal with the COVID-19, which would help expand the use of SDRs and improve the international monetary system. Governor Yi Gang of the PBC published a special article entitled "The IMF should turn to special drawing rights in its COVID-19

response" on the Financial Times, which states China's proposal to implement the general allocation of SDRs as soon as possible and was widely accepted by the international community. Through active engagement, the IMF acknowledged the progress of China's reform, which strengthened international confidence in China's economy.

The PBC properly responded to the appeals of the international community for China's participation in debt service suspension and restructuring. It supported the effort by some debtor countries to obtain relief funds from the IMF to regain debt sustainability, which was in the interest of safeguarding China's claims in the long term. It also negotiated with all parties to formulate the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for debt treatments, and agreed to extend the DSSI. The PBC guided financial institutions to implement the DSSI, approved all the applications from the 23 countries for debt service suspension under the DSSI. The PBC also actively participated in the discussions on the reform of the international sovereign debt architecture with the IMF and the Institute of International Finance (IIF).

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

The PBC actively implemented the deliverables of the Second Belt and Road Forum for International Cooperation. First, the *Green Investment Principles for the Belt and Road* (GIP) has grown more influential. By the end of 2020, 39 institutions from 14 countries and regions had signed the GIP. Second, Silk Road bonds were issued. The Eurasian Development Bank registered for issuing RMB3 billion Silk Road bonds in July. Funds raised would be used to finance projects under the Belt and Road Initiative (BRI). Third, the PBC continued to promote the smooth operation of the China-IMF Capacity Development Center

(CICDC). In 2020, more than 100 people from 20 Belt and Road countries participated in the training.

The PBC continued to boost high-quality financial connectivity under the BRI. It improved the policy system underpinning the financial support for the BRI, and worked for an open market-based green investment and financing system under the BRI. By establishing closer collaboration with third parties, the PBC constantly promoted diversified financing, developed equity financing, and encouraged wider use of local currencies.

Actively promoted international cooperation on green finance

The PBC actively implemented the green finance initiative of the G20 Hangzhou Summit, and continued to promote international cooperation on green finance through multilateral and bilateral mechanisms, including the G20, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the International Platform on Sustainable Finance (IPSF), and the GIP.

First, the PBC promoted the G20 to deepen the global consensus on green finance, and to acknowledge the important role of sustainable finance in promoting global economic growth and stability in the G20 Leaders' Summit declaration and other important documents. Second, there were 83 members and 13 observers in the NGFS, which was co-launched by the PBC. In September, the PBC took the lead in releasing the *Overview of Environmental Risk Analysis of Financial Institutions* and a case study report, which provided important public goods for the financial sector to improve environmental risk assessment and management. Third, the PBC continuously advanced the green and sustainable development of the Belt and Road. By the end of 2020, 39 large financial institutions from home and abroad had signed the GIP. Fourth, working with European counterparts on the IPSF, the PBC analyzed the similarities and differences of green taxonomy between China and the EU to promote the convergence of international green finance standards. The PBC also actively facilitated bilateral cooperation on green finance, including with the UK, France and Germany.

Strengthened bilateral and multilateral financial cooperation

Under the ASEAN plus Three financial cooperation framework, the PBC participated in the ad hoc review of the Chiang Mai Initiative Multilateralization (CMIM) Agreement. Members agreed on local currency contribution, the increase of the IMF de-linked portion, and the improvement of CMIM conditionality framework, making the CMIM more effective and operationally ready and safeguarding regional financial stability. Within the framework of the EMEAP, the PBC strengthened regional macro policy communication and coordination in the context of COVID-19 and advanced the development of Asian bond market. It also actively participated in the work of other mechanisms, including the South East Asian Central Banks (SEACEN), the Boao Forum for Asia, the Islamic Financial Services Board (IFSB), the Asia-Pacific Economic Cooperation (APEC), and the Lancang-Mekong Cooperation.

Through the high-level China-US trade negotiations, the PBC reached agreement with its US counterpart on opening-up financial sector and on exchange rate issues, with the outcomes written in the Phase One China-US Economic and Trade Agreement. The PBC made good use of the Phase One agreement and maintained communication with the US side on issues concerning finance and exchange rate on the basis of mutual respect.

Based on the existing bilateral dialogues, the PBC strengthened bilateral financial cooperation with the US, Europe, the UK, Japan, Russia and other neighboring economies, and expanded financial cooperation with Central and Eastern Europe, Africa and Latin America.

It actively participated in the governance of multilateral development banks, including African Development Bank, the Inter-American Development Bank and the European Bank for Reconstruction and Development, to increase China's voice and impact. The PBC also provided temporary additional callable capital to the African Development Bank and signed preferential loan agreements with the African Development Fund to support the post-COVID recovery of the poorest African countries.

Overview of the PBC Leadership's Diplomatic Activities in 2020

China-US trade talks	
13-15 Jan.	Governor Yi Gang of the PBC accompanied Vice Premier Liu He to sign Phase One China-US Economic and Trade Agreement in the US.
International organization and multilateral activities	
9 Jan.	The IMF 2020 midterm consultation delegation held opening talks of the annual Article IV consultation with the PBC, NDRC, MOF, MOFCOM and the National Bureau of Statistics (NBS). The meeting was chaired by Deputy Governor Chen Yulu. The two sides exchanged views mainly on China's economic developments, monetary policy, exchange rate policy, and other issues.
9 Jan.	Governor Yi Gang attended the annual meeting of the Foreign Banker's Association in the Netherlands, and delivered a keynote speech on the opening-up of China's financial sector.
10-11 Jan.	Governor Yi Gang attended the 2020 annual meeting of the Bellagio Group in the Netherlands. The meeting discussed such topics as the global economic developments, negative interest rate, financial stability, and climate change.
12-13 Jan.	Governor Yi Gang attended the All Governors' Meeting of the Bank for International Settlements (BIS) in Basel, Switzerland. Central bank governors exchanged views on recent global economic and financial developments, impact of financial regulation and macro-prudential policies on monetary policy transmission, global trade slowdown, and property price dynamics.
8-9 Mar.	Governor Yi Gang attended the All Governors' Virtual Meeting of the BIS.
23 Mar.	Governor Yi Gang attended the G20 Finance Ministers and Central Bank Governors Virtual Meeting. Deputy Governor Chen Yulu also attended. Attendees discussed the impact of the COVID-19 on global economy and finance and countermeasures, and agreed to take coordinated actions to jointly address the global challenges from the COVID-19.
26 Mar.	Governor Yi Gang accompanied President Xi Jinping in the G20 Extraordinary Virtual Leaders' Summit on COVID-19. At the meeting, leaders agreed to take coordinated and effective measures to cope with the COVID, to stabilize the world economy and promote economic recovery as soon as possible. The <i>G20 Extraordinary Leaders' Summit - Statement on COVID-19</i> was released after the meeting.
27 Mar.	Governor Yi Gang attended the video conference of the International Monetary and Financial Committee (IMFC) on the COVID-19. Attendees exchanged views on the development of the COVID-19, policy responses, and how to ensure the IMF provides effective assistance to its member countries. Deputy Governor Chen Yulu also attended.
31 Mar.	Governor Yi Gang attended the G20 Finance Ministers and Central Bank Governors Virtual Meeting and made remarks. Deputy Governor Chen Yulu also attended. The meeting was aimed at fulfilling the request of the G20 Extraordinary Leaders' Summit. All parties agreed to develop the <i>G20 Action Plan in Response to COVID-19</i> as soon as possible.
3 Apr.	Governor Yi Gang attended the virtual meeting of the Economic Consultative Committee of the BIS.
7 Apr.	Governor Yi Gang attended the virtual Roundtable Meeting on Financial Stability of the BIS.
15 Apr.	Deputy Governor Chen Yulu attended the G20 Finance Ministers and Central Bank Governors Virtual Meeting and the G20 Finance and Central Bank Deputies Virtual Meeting. Discussions focused on coordinating international responses to shocks of the COVID-19 on the global economy, and the <i>G20 Action Plan</i> was endorsed. The <i>Communiqué: G20 Finance Ministers and Central Bank Governors Meeting</i> was published following the meeting.
16 Apr.	Governor Yi Gang attended the 41st Meeting of the IMFC virtually. Attendees discussed issues including policy responses to the COVID-19.
23 Apr.	Governor Yi Gang attended the virtual meeting of the Banking and Risk Management Committee of the BIS.
24 Apr.	Deputy Governor Chen Yulu attended the virtual Global Economy Meeting of the BIS.
26 Apr.	Governor Yi Gang and former Governor Zhou Xiaochuan of the PBC attended the Group of Thirty (G30) virtual spring plenary session. The discussion covered the development path of COVID-19, its impact on the economy, policy responses, and international cooperation.
5-12 May	Governor Yi Gang attended the All Governors' Virtual Meeting of the BIS.
14 May	Deputy Governor Chen Yulu attended BRICS Finance and Central Bank Deputies Virtual Meeting, where attendees exchanged views on jointly promoting international cooperation to combat COVID-19, enhancing the Contingent Reserve Arrangement (CRA), and other issues.
19 May	Governor Yi Gang attended the virtual meeting of Steering Committee of the FSB.
22 May	Governor Yi Gang attended the virtual meeting of the Economic Consultative Committee of the BIS.
19 Jun.	Governor Yi Gang attended the virtual meeting of the Economic Consultative Committee of the BIS.
29 Jun.	Governor Yi Gang attended the Board of Directors' Virtual Meeting of the BIS.

International organization and multilateral activities

18 Jul.	Deputy Governor Chen Yulu attended the G20 Finance Ministers and Central Bank Governors Virtual Meeting. The meeting discussed topics including coordinated efforts to address the impact of the COVID-19 on the global economy, international financial architecture, financial sector reforms, and the DSSI. A Communique was published after the meeting.
21 Jul.	Governor Yi Gang attended the virtual Global Economy Meeting of the BIS.
3 Sep.	Deputy Governor Chen Yulu attended the virtual meetings of BRICS Finance and Central Bank Deputies and BRICS CRA Standing Committee. Participants exchanged views on BRICS financial cooperation, including the improvement of the CRA.
4 Sep.	Governor Yi Gang attended the virtual meeting of the Ambrosetti Forum and delivered a keynote speech on China's economic developments and policy responses during the outbreak of COVID-19. Participants exchanged views on the impact of COVID-19, policy recommendations, and other related topics.
4-8 Sep.	Governor Yi Gang and Deputy Governor Chen Yulu attended the All Governors' Virtual Meeting of the BIS.
13 Sep.	Governor Yi Gang and former Governor Zhou Xiaochuan attended the first virtual meeting of G30 fall plenary session. Participants exchanged views on recent developments in COVID-19 treatment, rapid testing and vaccines, as well as rebuilding growth and jobs.
24 Sep.	Deputy Governor Chen Yulu attended the virtual meeting of the Asian Consultative Council of the BIS.
7 Oct.	Governor Yi Gang attended the Seminar for Governors from Emerging Market Economies of the BIS.
7-8 Oct.	Deputy Governor Chen Yulu attended the 2020 Virtual Annual Meeting of Board of Governors of the European Bank for Reconstruction and Development (EBRD). At the meeting, the new EBRD President was elected, the EBRD strategic planning framework 2021-2025 and the net income distribution plan for 2019 were reviewed and adopted, and the application of Iraq for joining the EBRD was approved.
8 Oct.	Governor Yi Gang and former Governor Zhou Xiaochuan attended the G30 Webinar on Climate Finance. The G30 report, <i>Mainstreaming the Transition to a Net-Zero Economy</i> , was released during the webinar, where attendees exchanged views about international cooperation on carbon emission reduction, among other issues.
14 Oct.	Governor Yi Gang attended the G20 Finance Ministers and Central Bank Governors Virtual Meeting. Deputy Governor Chen Yulu also attended. The meeting discussed topics including coordinated efforts to address the impact of the COVID-19 on the global economy, update of <i>G20 Action Plan</i> , the G20 DSSI, financial sector reforms, and international tax. A Communique was published following the meeting.
15 Oct.	Governor Yi Gang attended the 42nd Virtual Meeting of the IMFC, where attendees exchanged views on the global economic developments, the IMF's response to the COVID-19, and other issues. Deputy Governor Chen Yulu also attended.
18 Oct.	Governor Yi Gang and former Governor Zhou Xiaochuan attended the G30 International Banking Seminar. Discussions focused on rebuilding and supporting sustainable economic growth, and how emerging markets can achieve economic recovery while making debts sustainable.
26 Oct.	The IMF staff held talks with the PBC, NDRC, MOF and NBS during Article IV mission to China. The meeting was chaired by Deputy Governor Chen Yulu. The two sides exchanged views mainly on China's economic developments, monetary policy, RMB exchange rate, and other issues.
2 Nov.	Governor Yi Gang met virtually with Geoffrey Okamoto, First Deputy Managing Director of the IMF, and exchanged views on China's economic situation.
4 Nov.	Deputy Governor Chen Yulu attended the opening ceremony of the third China International Import Expo. He made remarks in two events, including the Forum on Development of Inclusive Finance and Digitalized Development co-organized by the PBC and the Bank of China, and the Financial Cooperation Forum co-organized by the PBC and the Industrial and Commercial Bank of China.
6-10 Nov.	Governor Yi Gang and Deputy Governor Chen Yulu attended the All Governors' Virtual Meeting of the BIS.
13 Nov.	Deputy Governor Chen Yulu attended Extraordinary G20 Finance Ministers and Central Bank Governors Virtual Meeting. The meeting endorsed the Common Framework for debt treatments beyond the Debt Service Suspension Initiative, to support low-income countries in their efforts to address shocks from the COVID-19. A statement was issued following the meeting.
21-22 Nov.	Governor Yi Gang accompanied President Xi Jinping in the G20 Extraordinary Virtual Leaders' Summit on COVID-19. At the Summit, leaders of all countries made positive remarks on the progress achieved in international cooperation on COVID-19 response since the G20 Extraordinary Summit in March this year, stressing that the G20 should strengthen solidarity and cooperation, and continue playing a leading role in international COVID-19 response and economic recovery. <i>Leaders' Declaration of G20 Riyadh Summit</i> was released after the meeting.
8 Dec.	Governor Yi Gang accompanied Premier Li Keqiang to meet virtually with Managing Director Kristalina Georgieva of the IMF. They exchanged views on Chinese economy, trade and debts, among other topics.

Regional diplomatic activities

3 Apr.	Deputy Governor Chen Yulu attended the ASEAN+3 Finance and Central Bank Deputies' Virtual Meeting. The Deputies talked about market developments in the region and exchanged views on economic and financial measures to cope with the impact of the COVID-19.
8 Apr.	Deputy Governor Chen Yulu attended the EMEAP Governors' Virtual Meeting. Topics such as the economic performance, financial market developments and policy responses of the EMEAP region against the backdrop of the COVID-19 were discussed at the meeting.
4-5 Jun.	Deputy Governor Chen Yulu attended virtually the 58th EMEAP Deputies' Meeting, the 27th Monetary and Financial Stability Committee (MFSC) Meeting, the 30th Pan Asia Bond Index Fund Supervisory Committee (PAIF SC) Meeting and the 34th EMEAP Asian Bond Fund Oversight Committee (EAOC) Meeting. Attendees discussed the economic and financial developments in the EMEAP region amid the outbreak of the COVID-19, monetization of fiscal deficits and other issues, and reviewed the reports by working groups.
5 Aug.	Deputy Governor Chen Yulu attended the ASEAN+3 Finance and Central Bank Deputies' Virtual Meeting. Topics such as regional economic and financial developments, and regional financial cooperation were discussed at the meeting.
19 Aug.	Deputy Governor Chen Yulu attended the 25th EMEAP Governors' Virtual Meeting. Attendees discussed the economic and financial developments in the EMEAP region amid the outbreak of COVID-19, operations of the banking sector and policy challenges, and reviewed the reports by working groups.
18 Sep.	Deputy Governor Chen Yulu attended the 23rd ASEAN+3 Finance Ministers' and Central Bank Governors' Virtual Meeting. Attendees discussed regional financial developments and financial cooperation.
5 Nov.	Deputy Governor Chen Yulu attended virtually the 44th Meeting of the Central Bank Governors' Club of Central Asia, Black Sea Region and Balkan Countries, where attendees exchanged views on the global economic outlook against the backdrop of the COVID-19, central bank digital currency, and other issues.
1 Dec.	Deputy Governor Chen Yulu attended virtually the 56th South East Asian Central Banks (SEACEN) Governors' Conference and 40th Meeting of the SEACEN Board of Governors, and delivered a keynote speech entitled "Opportunities and Challenges for Central Bank Digital Currency".
9 Dec.	Governor Yi Gang attended virtually the fifth edition of the Singapore FinTech Festival and delivered a keynote speech entitled "Supporting Low-Carbon Development with Green Finance".

Bilateral diplomatic activities

16 Jan.	Deputy Governor Chen Yulu met with U Bo Bo Nge, Deputy Governor of the Central Bank of Myanmar. They exchanged views on China-Myanmar financial cooperation.
23 Mar.	Governor Yi Gang had a talk with Andrew Bailey, Governor of the Bank of England. They exchanged views mainly on the impact of COVID-19 on the economy, and the COVID-19 situation in Europe.
17 Apr.	Governor Yi Gang accompanied Vice Premier Liu He to hold a video call with Valdis Dombrovskis, Executive Vice President of the European Commission.
3 Jul.	Deputy Governor Chen Yulu attended the 13th China-EU Economic and Financial Dialogue, and delivered a keynote speech on green finance, FinTech, digital currency and other issues.
21 Jul.	Deputy Governor Chen Yulu attended the 7th China-France High-Level Economic and Financial Dialogue, and delivered a keynote speech on issues including the development of FinTech and green finance.
28 Jul.	Deputy Governor Chen Yulu attended the 8th China-EU High-level Economic and Trade Dialogue, and delivered a keynote speech on China-EU financial cooperation. The two sides exchanged views on cooperation on COVID-19 response and global economic governance, trade and investment, financial cooperation, and other issues.
29 Jul.	Deputy Governor Chen Yulu accompanied Vice Premier Han Zheng to meet virtually with Frans Timmermans, First Vice-President of the European Commission. The two sides exchanged views on post-crisis recovery plan, climate action target, circular economy, nature restoration and preservation, and sustainable finance, among other topics.
16 Oct.	Governor Yi Gang attended the virtual meeting of Hong Kong FinTech Week Roundtable Forum, and made remarks on four issues, including the development trend of digital economy, the risks and benefits under the New Normal, opportunities of emerging payment methods and concerns about FinTech.
17 Nov.	Deputy Governor Chen Yulu accompanied Vice Premier Han Zheng to the 7th Meeting of China-Russia Investment Cooperation Committee.
23 Nov.	Deputy Governor Chen Yulu attended the 2020 China-Singapore (Chongqing) Connectivity Initiative Financial Summit in Chongqing, and delivered a keynote speech.
24 Nov.	Deputy Governor Chen Yulu accompanied Vice Premier Hu Chunhua to the 24th session of the committee for regular meetings between Chinese and Russian heads of government, and made remarks on financial cooperation between China and Russia.
2 Dec.	Governor Yi Gang had a video call with Christine Lagarde, President of the ECB.
18 Dec.	The fifth meeting of the Working Group on Financial and Monetary Cooperation between the PBC and the State Bank of Vietnam (SBV) was held virtually. Deputy Governor Chen Yulu and Deputy Governor Nguyen Kim Anh of the SBV co-chaired the meeting. The two sides exchanged views on recent macroeconomic developments in China and Vietnam, monetary policy, local currency settlement, future cooperation plan and other related issues.

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 Special Administrative Region (SAR) and Macao SAR. In 2020, the PBC had 12 issues of central bank bills in Hong Kong, totaling RMB155 billion. It improved the mechanism for regular issuance of central bank bills in Hong Kong and the issuance structure, 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 offshore RMB yield curve, and promoted the development of off-shore RMB market in Hong Kong and Macao. On November 25, 2020, the PBC renewed the local currency swap agreement with the Hong Kong Monetary Authority (HKMA), increasing the size of RMB swap to RMB500 billion. The agreement will be valid for five years and can be extended on mutual consent. The signing of the agreement is conducive to maintaining the financial stability of the mainland and Hong Kong and supporting their economic and financial development. As of end-2020, outstanding RMB deposits in Hong Kong registered RMB720.9 billion, up by 14.2 percent year on year, while that in Macao reached RMB79.82 billion, climbing by RMB29.87 billion or 59.80 percent over the end of 2019.

The PBC actively supported the development of the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter referred to as the Greater Bay Area). The PBC, together with the CBIRC, CSRC and SAFE, issued the *Opinions on Providing Financial Support for the*

Development of the Guangdong-Hong Kong-Macao Greater Bay Area on April 27, 2020, with focus on the priorities in financial reform. The Opinions specifies 26 measures for financial reform and innovation in five aspects, namely facilitating cross-border trade, investment and financing, deepening financial cooperation between the mainland and the Hong Kong and Macao SARs, enhancing the connectivity of financial markets and financial infrastructures, boosting the innovation of financial services, and preventing cross-border financial risks. It aims to further advance financial opening-up and innovation, deepen financial cooperation between the mainland and Hong Kong and Macao, and ramp up financial support for the development of the Greater Bay Area. On June 29, 2020, the PBC, the HKMA and the Monetary Authority of Macao released a joint announcement to launch the pilot scheme of "Cross-Boundary Wealth Management Connect" in the Greater Bay Area. It enabled e-wallets in Hong Kong and Macao to achieve legitimate and regulation-complying cross-border payments through legally qualified domestic clearing institutions, worked for the launch of five Hong Kong and Macao e-wallets, including Cloud Pay app for Hong Kong and Macao, Alipay (Hong Kong) e-wallet, WeChat (Hong Kong) e-wallet, Bank of China Macao mobile banking and Mpay to achieve cross-border payments via UnionPay or NetsUnion, propping up mobile payments by Hong Kong and Macao residents in the mainland and making it more convenient for Hong Kong and Macao residents who work, study and live in the mainland. The PBC conducted studies on expanding the scope of pilot banks with account opening witness services for Hong Kong and Macao

residents to open type-II and III mainland personal bank accounts, to promote the development of pilot standards and identify a list of banks. It continued to study and explore the implementation of measures on eight aspects including policy adjustment to RMB remittance quota for Hong Kong residents, the pilot program of integrated RMB and foreign currency cross-border cash pooling, provision of cross-border loans by Hong Kong banks for Hong Kong residents to purchase house in the Greater Bay Area, fintech supervisory sandbox networking in the Greater Bay Area, green finance cooperation in the Greater Bay Area as well as the establishment of institutions in the Greater Bay Area by banks from Hong Kong and Macao.

The PBC exchanged views with authorities in Hong Kong and Macao. In 2020, the PBC had extensive exchanges with the financial sectors of Hong Kong and Macao on topics such as the development of the Greater Bay Area, economic conditions and financial stability in Hong Kong and Macao, RMB internationalization, capital market connectivity, and fintech cooperation. In August 2020, Governor Yi Gang and Deputy Governor Pan Gongsheng met with Ho Iat Seng, Chief Executive of Macao SAR. In October, Deputy Governor Pan Gongsheng met with Lei Wai Nong, Secretary for Economy and Finance of Macao. In November, Governor Yi Gang participated in the roundtable forum of Hong Kong FinTech Week via video conferencing system, exchanging views with various parties on the development trend of the digital economy and other topics. In December, Governor Yi Gang met virtually with the delegation of HKMA and the Hong Kong Association of Banks.

Supported financial cooperation across the Taiwan Straits

The 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 consultations on currency cooperation across the Straits

based on the 1992 Consensus to boost RMB business in Taiwan. As of end-2020, outstanding RMB deposits (including negotiable certificate of deposits) in Taiwan posted RMB244.489 billion, while outstanding RMB discounts and loans hit RMB13.787 billion.

The PBC promoted the integrated economic and social development across the Taiwan Straits. First, the PBC supported payment institutions in the mainland to provide small-value payment services for Taiwan compatriots. As of end-2020, over 27.8 thousand ATMs in Taiwan could accept UnionPay cards, which covered 95 percent of merchants and 100 percent of ATMs respectively. In Taiwan, 96 percent of POS terminals allow the UnionPay non-contact function, and more than 226 thousand merchants support the UnionPay QR codes. Second, the PBC encouraged cooperation among credit information agencies across the Straits. It guided Fujian Pinshang Credit Information Co., Ltd. to cooperate with leading corporate credit information agencies in the mainland, such as Qichacha and Qixin.com, and Taiwan-based China Credit Information Service (CCIS) in providing credit reporting service in Taiwan. While innovatively conducting pilot programs of financial credit certificate for Taiwan businessmen and compatriots in Pingtan and Zhangzhou, the PBC guided Sanming, Longyan, Ningde and Quanzhou to expand the pilot programs and urged financial institutions in their respective jurisdictions to introduce a number of preferential financial measures for Taiwan businessmen and compatriots holding such certificates.

The PBC actively promoted non-governmental financial exchanges across the Straits. It gave full play to the role of China Society for Finance and Banking, a private academic group, in facilitating financial exchanges and cooperation across the Straits. The Society has successfully held 23 cross-Straits financial seminars (renamed Seminar on Financial Cooperation across the Taiwan Straits for the 19th seminar and beyond). Due to the COVID-19, the 24th Seminar on Financial Cooperation across the Taiwan Straits will be postponed to 2021.

HUMAN RESOURCES

Staff composition

As of end-2020, the number of PBC staff totaled 126 715, including 16 841 staff members at China Banknote Printing and Minting Co. Ltd. and its subsidiaries.

Among this total, 47 390 or 37.40 percent of the staff are female. A total number of 1 271 or 1.00 percent hold Ph.D degrees, 19 815 or 15.64 percent hold master's degrees, and 75 303 or 59.43 percent hold bachelor's degrees. Among the staff at the PBC Headquarters, 161 or 21.93 percent are Ph.D degree holders, 474 or 64.58 percent are master's degree holders, and 90 or 12.26 percent are bachelor's degree holders. In 2020, new recruits totaled 5 797 while 4 588 staff members retired.

In terms of the organizational structure, among the PBC staff, 734 are at the PBC Headquarters, 701 are at the Shanghai Head Office, 2 026 are in the PBC subsidiaries and agencies, 6 572 are in branches and operation offices (including the operation offices of branches), 9 297 are in sub-branches in provincial capital cities, 1 448 are in sub-branches in provincial-level municipalities, 44 710 are in sub-branches in prefectural-level cities, and 43 594 are in county-level sub-branches.

In terms of the age structure, 27 809 are 30 years old or younger, 13 889 are 31 to 35 years old, 10 617 are in the range of 36 to 40 years old, 11 235 are in the range of 41 to 45 years old, 21 503 are in the range of 46 to 50 years old, 21 992 are in the range of 51 to 54 years old, and 19 670 are 55 years old or above.

Team building

In 2020, 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 and its plenary sessions. Led by the political building of the CPC, it continuously enhanced the "awareness of maintaining political integrity, thinking in big-picture terms, following the leadership core and keeping in alignment with the central Party leadership", strengthened "confidence in the path, theory, system and culture of socialism with Chinese characteristics", and upheld "General Secretary Xi Jinping's core position on the Party Central Committee and in the Party as a whole as well as the Party Central Committee's authority and its centralized and unified leadership". Following the overall requirement for the building of the CPC in the new era and the Party's organizational line in the new era, it advanced the building of primary-level Party organizations and the development of Party members. While focusing on cultivating competent and professional officials who are loyal to the Party with moral integrity, and demonstrate a keen sense of responsibility, it made all-round efforts to manage, supervise and inspire officials and continuously enhanced team building. As a result, a solid organizational guarantee was provided for it to fulfill its duties and build a modern central bank system in a new era. In July, the PBC convened the meeting on organizational work and the meeting of officials-in-charge from organizational and human resources departments, to take stock of the experience and outcomes of organizational and human resources work in recent years, and make overall work arrangements for the upcoming period.

First, the PBC emphasized political building and advanced the building of primary-level Party organizations and the development of Party members. In waging the battle against the COVID-19, the PBC gave full play to the fortress role of the primary-level Party organizations, allocated Party funds to support them in combating the COVID-19, and mobilized Party members and officials to make voluntary donations and participate in volunteer services in response to the call of the CPC Central Committee, making the CPC's guiding principles fully function on the front line against the COVID-19. It held the summing-up meeting for themed education program of "Staying True to the Party's Founding Mission", formulated and issued the implementation opinions on consolidating and deepening achievements of the themed education, and pushed for the establishment of the long-term mechanism with regular learning to gain deeper understanding. With the setup of Party organizations improved, the PBC encouraged Party committees at all levels to establish points of contact of Party branches, and focused the orientation on grassroots and Party branches, to enhance the organizational capability of primary-level Party organizations. By building model organizations and tackling the issue of "dark under light", the PBC carried out education campaigns to strengthen the political awareness, and addressed the problem of lack of integration with practical work in Party building. It introduced the opinions on implementing the *2019-2023 Education and Training Plan for Party Members across China*, with a view to improving the competency of staff in Party affairs.

Second, the PBC endeavored to build a competent and professional team of officials who are loyal to the Party with moral integrity, and demonstrate a keen sense of responsibility. It strengthened building of leadership teams, optimized the selection and appointment of competent leaders, attached importance to the mix of senior, middle-aged and young officials, and adjusted and optimized the leadership team structure. In accordance with the requirements of the CPC Central Committee for highlighting

political criteria in selecting and appointing officials, it pushed for the establishment and improvement of the identification and assessment mechanism for the political quality of leaders and officials, and reinforced inspection on political quality. Following the important instruction of General Secretary Xi Jinping on inspecting and identifying officials at the front line of major battles, the PBC reviewed the actual performance of the leadership team and leaders in providing financial support for COVID-19 response as well as resumption of work and production, and selected and promoted excellent leaders with outstanding performance. It implemented the *Regulations on the Assessment of Party and Government Leaders*, to further establish a clear orientation of highlighting sense of responsibilities and actual performance. With surveys on excellent young officials, it actively developed and selected outstanding young officials. To fulfill the major national strategies and key tasks, the PBC strengthened practice and training of officials, implemented secondment plans of officials, and intensified institution-wide cross-departmental and cross-regional exchanges among officials, allowing them to stand the test in tough and complex environment as well as the front line of financial market. By focusing on picking the right person for the right position, the PBC conscientiously and effectively conducted examination and recruitment of civil servants, building a solid pipeline for central bank official team.

Third, the PBC made all-round efforts to manage, supervise and inspire officials. It strengthened political supervision, constantly improved the strict self-governance system to encourage positive thinking, good work ethics and self-discipline, and endeavored to conduct overall management and routine supervision of officials. Special inspections on selection and appointment of talents were carried out along with the inspections of the Party committee of the Headquarters, to push for the creation of a clean and upright staffing ecosystem. Special rectification campaign was conducted on the reporting of personal affairs of leaders and officials,

constantly improving the implementation of the reporting system. Special self-inspection was organized on the administration of going abroad for private reasons to better institutionalize and standardize the administration. Meanwhile, the PBC effectively guided all organizations in its system on creating, managing and using personnel files of PBC officials properly. It further motivated and protected officials who demonstrated keen sense of responsibilities, earnestly implemented all policies on caring for officials, conducted appraisal and commendation in a standardized way, and improved the positive incentive 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 task in educating and training its officials. Amid the regular COVID-19 containment arrangements, the PBC made unremitting efforts to improve training and innovate working methods. By combining online and offline approaches, it successively organized rotating trainings for directors and higher-level officials on the guiding principles of the Fourth Plenary Session of the 19th CPC Central Committee, and online trainings for all Party members and officials of the PBC on the guidelines of the Fourth Plenary Session of the 19th CPC Central Committee and

the histories of CPC, New China, reform and opening-up, and socialist development. While improving professional trainings, the PBC intensified trainings on new knowledge and new business, to enhance the professional capabilities of officials to perform duties with high quality. It deepened the institution-wide professional title reform, and created the senior professional titles for accountants, to further improve the appraisal system for professional and technical personnel and to stimulate the vitality of talents to make concrete and enterprising efforts.

Fifth, the PBC strengthened team building for its branches. By following relevant requirements of the CPC Central Committee on stabilizing businesses and securing employment, the PBC earnestly implemented the principle of “examinee first”, and spared no efforts to carry on the recruitment of branch staff in the phase of regular COVID-19 containment. Given the record high number of examinees at the written test, the PBC refined the recruitment procedures in line with the national and local COVID-19 containment requirements, and thus successfully completed the recruitment of 2021. It further improved the performance review of branches, and provided feedback on performance review results, thereby boosting the effectiveness of branches in performing duties.

INTERNAL AUDITS

Steadily carried out internal audits

Taking implementing the major decisions and plans of the CPC Central Committee and the State Council and strengthening supervision over the use of public capital and the exercise of public power as its top priority, the internal audit department of the PBC deepened and widened internal audit and supervision, and practically promoted rectification based on audit results, thereby constantly improving its performance of duties and management. First, audits and investigations were conducted on the reforms to streamline administration and delegate power, improve regulation and upgrade services in account management field, to facilitate the effective implementation of the reform tasks and the general requirements of maintaining the corporate account opening facility and risk control level, and strengthening optimization of corporate bank account services and account management. Second, 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. It also focused on the standardization, security and effectiveness of fixed assets management. Third, audits were conducted on economic responsibility of leading officials of PBC branches, its direct affiliates and relevant units. In so doing, the PBC prompted the leadership at various levels to perform their duties and strengthen their sense of responsibility, and ensured public power was exercised in a standardized way. Fourth, audits were carried out on the management of credit information security. The PBC evaluated the standardization and security in credit

information service and management in terms of user management, information inquiry, dispute resolution and accessing institution management, to improve the management of credit information security. Fifth, audits were conducted on data security management. By analyzing the security of business data and effectiveness of risk prevention and control in the process of data acquisition, storage, transmission and processing, the PBC promoted the improvement of data governance. Sixth, audits were conducted on major financial information systems. The PBC put emphasis on system operation management and fund security, so as to ensure the security, reliability and continuous operation of information systems. Seventh, rectification assessment was made based on the internal audit. By combining the written assessment and field assessment, rectification assessment was conducted on selected audit projects of the previous year, to supervise and evaluate the timeliness, authenticity and effectiveness of problem rectification, and to promote the adequate implementation of rectification.

Improved fundamental work constantly

With a view to better promoting standardized management and performance in compliance with the laws and regulations, the PBC promoted an in-depth development of internal audits. First, the PBC improved the institution building for internal audits. It amended the *Institutions for Internal Audit of the People's Bank of China*, formulated the *Institutions of the People's Bank of China for Auditing the Economic Responsibilities of Leading Officials* and the *Opinions of the People's Bank of China on Strengthening Internal Audit-Based Rectification*, and refined the operational procedures and programs for various kinds of audit items, to constantly develop a

sound and effective system. Second, the PBC enhanced the application of audit findings. It reinforced the mechanisms for implementing rectification, disclosure, and taking joint actions and accountability to tap the role of internal audit in serving governance. With the audit's advisory function brought into full play, risk reminders were front-loaded. Third, the PBC continuously improved internal controls. In addition to compiling internal controls reports, the PBC improved the environment for internal controls, facilitated information exchange, and improved the internal control mechanisms for economic activities such as budgeting, payments and receipts, procurement, assets, project construction and contract management. Fourth, the PBC advanced risk assessment by the internal audit department. With emphasis on high-risk areas, the

PBC conducted researches and analyses on the factors leading to risk differentials, and developed audit strategies and priorities based on analysis results. Fifth, the PBC strengthened technology-enabled audit. It pressed ahead with the construction and use of computer-aided audit system as well as the trial operation of its data conversion sub-system, resulting in constantly optimized system performance. It also studied the audit analysis model for business data, and promoted the application of assisted audit techniques in various audits. Additionally, it scaled up the big data-enabled non-structured 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

Advanced capability building for law-based statistics

The PBC stepped up standardized management of the statistical system, actively advanced the implementation of normative documents, and defined the scope, principle and requirements for financial statistical system to be incorporated into normative documents, laying a solid foundation for law-based and standardized management. It strengthened the coordinated management of the financial statistical system, earnestly organized the study and implementation of the *Opinions on Promoting Comprehensive Statistics for the Financial Sector* and the *Administrative Regulations on Financial Statistics*, and extensively conducted legal education regarding financial statistics. The PBC thoroughly surveyed and sorted out the regional financial statistical system, completed the filing and approval of provincial-level regional financial statistical systems, and organized the compilation of the financial statistical systems. It effectively conducted law enforcement inspections on financial statistics, and organized branches to perform law enforcement inspections on financial statistics by local legal entities. It steadily pushed ahead with the construction of the standard system of financial statistics, refined the basic standard system framework for comprehensive statistics of the financial sector, vigorously promoted the benchmarking of statistical standards for the financial sector against the basic standards, and led efforts in mapping out the research work scheme for comprehensive statistical standards for the financial sector.

Successfully launched the National Basic Financial Database

In September 2020, the first phase project of the national basic financial database was successfully launched, marking the preliminary establishment of a database with information on nearly 30 million institutional entities and nearly 10 thousand financial institutions. The basic loan information of all financial institutions was included into the database on a transaction-by-transaction basis. The PBC conducted researches on the application of analysis. Information analysis witnessed considerable increase in the breadth and depth by virtue of data available for independent analysis across 30 public dimensions, including enterprise scale, ownership system, industry, and sectors of national economy. The corporate loan contract information from over 4600 banking financial institutions nationwide was successfully collected, achieving smart acquisition and use of all data. As the key carrier for implementation of comprehensive statistics for the financial sector, the national basic financial database boasts of a storage capacity of PB level. In the same period, a main macroeconomic and financial indicator database was established, covering 31 Chinese provinces and municipalities as well as over 200 countries and regions, with the targeted analysis capabilities of financial statistics further enhanced. The comprehensive statistical information system platform for financial sector was developed by leveraging big data technology, demonstrating remarkably improved data acquisition capability and efficiency.

Updated comprehensive statistics for the financial sector with big data

First, the PBC released a statistical system for basic financial data, which covers a variety of financial instruments including deposits, loans, interbank products, bonds, equities and special purpose vehicles (SPV) with more than 600 dimensions, signifying the implementation of standardized transaction-by-transaction statistics in an emerging big data era. Second, the PBC organized the development of statistical regime for local financial organizations and determined the statistical principle of prioritizing urgent needs and promoting in phases in light of local actual needs and circumstances. It prepared the *Guidelines for Statistics Reporting by Local Financial Organizations*, designed the manual reporting procedures, and made preparations for the development of a statistical system for local financial organizations, while actively promoting the implementation of the system. Third, the PBC coordinated pilot banks to submit statistical data of SIBs. It conducted statistical monitoring of SIBs at the bank group level for the first time, thus providing information support for identifying the risk and contagion channels of SIBs. Fourth, the PBC intensified research on the nature of such instruments as the standardized bills and non-standard claims, further enhancing the timeliness and accuracy of statistics of asset management products. For liquidity in particular, it deep dived into the efficiency and risks in using funds for asset management products, so as to provide important basis for decision-making in evaluating the effectiveness of policies such as new regulations on asset management and winning the critical battle of forestalling and defusing major risks. Fifth, the PBC improved the accounting method for flow of funds when necessary, and increased the frequency for preparing flow of funds statement and stock of funds statement from every half-year to every quarter. As a result, flow of funds accounting played a crucial role in analyzing China's financial structure.

Implemented arrangements on COVID-19 containment, and completed statistics, survey and analysis with high quality

Overcoming the interference from the COVID-19 to production order of statistical data, the PBC completed the full account statistics of assets and liabilities of financial institutions, and the data collection and statement preparation for special statistics of various loans with high quality. It urged financial holding companies to conduct pilot statistics in an orderly manner. It carried out accurate statistics on the AFRE, and improved the timeliness of AFRE indicators by first focusing on the entire chain. It further consolidated the basis for comprehensive sampling statistics of standardized deposits and loans, to underpin the evaluation of the effects of the LPR formation mechanism reform and other market-based interest rate policies. The PBC continued to effectively gather data on wealth management and fund trust, and carried out special statistics on the private sector, MSMEs and large enterprises, inclusive finance, green credit and targeted poverty alleviation, providing strong support for macro-prudential assessment. In June 2020, with the aim of monitoring and evaluating the effectiveness of COVID-19 containment policies, the PBC made targeted revisions to special statistical systems for MSMEs and large enterprises, adequately demonstrating the role of unsecured inclusive MSB loans and services in providing prioritized support to key areas and weak links of the real economy.

The PBC carried out economic surveys on the COVID-19 containment and business and production resumption, while making micro economic surveys more targeted. It organized frequent surveys on business operation of enterprises, kept track of the impact of the COVID-19 on business operation, and took stock of the industrial enterprises' post-COVID fixed assets investment as well as their expectations thereof. It also carried out surveys on employment as well as household income and expenditure, so as to better inform monetary policy decision-making.

With a focus on ensuring stability on the six fronts and maintaining security in the six areas, the PBC conducted special surveys on employment of industrial and service enterprises in the third and fourth quarters. Regular surveys were organized on the financing of MSBs in 31 provinces and municipalities. The PBC completed the national survey on the assets and liabilities of urban households in 2020, and organized some branches to carry out bankers' survey and interviews on a trial basis. With surveys on public housing in key cities, the PBC expanded the full-coverage monitoring of the real estate financing to 22 key cities, to support the targeted regulation featuring city-specific policies.

After deeply analyzing the impact of the COVID-19 on the economy and finance, the PBC made accurate and forward-

looking judgment on such critical issues as economic growth, price trends and intensity of financial support, coordinated the comprehensive application of the national basic financial database, and sped up the application of information technology to the analysis of economic and financial developments. It established the automatic monitoring system for regional macroeconomy and the macro leverage ratio, improved the macroeconomic time series database system, and set up the IT-based economic analysis platform, to dynamically generate analysis report on overview data about the macro economy, real estate, consumption, and the global economy. While making analysis and forecast based on series of indicators, the PBC continued to strengthen specialized research. Based on surveys on corporate goods prices, it effectively made forecast and analysis of macroeconomic performance.

Implementing the Statistical System for Basic Financial Data in the Big Data Era

In April 2018, the State Council released the *Opinions on Promoting Comprehensive Statistics for the Financial Sector*, setting forth the overall objective and main tasks of comprehensive statistics for the financial sector.

In order to implement the arrangements and requirements of the CPC Central Committee and the State Council, the PBC officially issued the *Circular on Establishing a Statistical System for Basic Financial Data* on July 16, 2020. Covering various kinds of financial instruments and financial institutions including deposits, loans, interbank products, bonds, equities and SPVs, the statistical system acquired detailed data across over 600 dimensions and indicators through a standardized transaction-

by-transaction approach, and achieved data connectivity and integration through unified institution code, instrument code and customer code. This is the first time that the PBC has realized standardized full statistics of major financial instruments and all banking institutions on a transaction-by-transaction basis, marking the transformation of financial statistics into the big data era.

The national basic financial database is a crucial carrier for implementing comprehensive statistics for the financial sector and the statistical system for basic financial data. In December 2019, the State Council approved the establishment of the basic financial data center by the PBC, which is responsible for building and running the

national basic financial database, and providing unified statistical infrastructure guarantee for the collection, storage, aggregation and management of basic financial data.

With a view to promoting the successful implementation of the statistical system for basic financial data, the PBC convened a mobilization meeting on arranging basic financial data statistical work on July 27, 2020, which put forward general requirements for the national basic financial database and the statistical system for basic financial data, laying a solid foundation for the successful implementation of the statistical system for basic financial data.

On September 1, 2020, the comprehensive statistics platform for the financial sector was launched, and the platform for national basic financial database was formally put into operation. The transaction-by-transaction basic loan data of all financial institutions had been collected and integrated into the database by September 18, 2020, signifying the successful launch and operation of the national basic financial database.

The statistical system for basic financial data was advanced in batches with the principle of unified planning and step-by-step implementation, and the data reporting scope was gradually expanded based on the sequence of loans preceding deposits, stock preceding flow and organizations preceding individuals. From September 2020 to the year-end, the PBC collected basic data on corporate and personal loans from over 4600 institutions nationwide on a monthly basis.

In particular, the financial asset management companies comprehensively reported data to the PBC in a standardized manner for the first time. The monthly collected information on average covers 24 million corporate loans, 13 million guarantee contracts, 9 million collaterals, 6.1 billion personal loans and 265 thousand branches of financial institutions. Meanwhile, the PBC conducted surveys on stabilizing enterprises and securing employment, and quickly investigated corporate deposits, collecting data on 2.6 billion corporate payroll payments through financial institutions and 97 million corporate deposits. Reflecting the transition to the big data era, the basic financial data statistics are standardized transaction-by-transaction granular data, which can provide multidimensional, all-round and multi-layered structural data, so as to support policy-making and the assessment of policy effects in a more accurate and efficient manner, and provide highly targeted support for the financial sector to serve the real economy as well as for the prevention and resolution of financial risks.

In line with the arrangements for institution implementation, the PBC will start collecting data on entrusted loans, interbank business, bond business, equity investment, SPV investment as well as basic deposit data in 2021, so as to achieve the full implementation of the statistical system for basic financial data. Besides, it will also step up statistics training of reporting institutions, refine data verification rules, strictly control data quality, and strengthen data governance, to provide truthful, unified and high-quality basic data of the financial sector to the national basic financial database.

FINANCIAL RESEARCH

Deepened research on major basic economic and financial theories and topical issues

The PBC conducted in-depth studies on major fundamental issues such as modernizing the central bank system, potential economic growth rate, total factor productivity, natural interest rate, the relationship between money growth and GDP, the theoretical framework of monetary policies and macro-prudential policies, the relationship between monetary policies and fiscal policies, the causes of low global inflation, and the pension regime reform. It strengthened researches in such fields as the new development pattern of dual circulation, financial support to ensure stability on the six fronts and maintain security in the six areas, impact of the COVID-19 on the economic and financial system, achievement of carbon peaking and carbon neutrality goals, climate change and financial risks, and financial regulation and coordination. Based on the essential requirements of providing financial support to the real economy, the PBC conducted researches on issues such as the reform of rural credit cooperatives, structure of county financial market, and financing of MSBs. Studies were also carried out on topical issues in global economy and finance like the evolution of the international monetary system, adjustment of international economic and trade rules, central bank balance sheet expansion in the major economies, reconfiguration of the global industrial chain and supply chain, WTO reform, and China-US economic and trade tensions. The PBC also deepened studies on the history of communist finance, China's silver currency history, fintech, and central bank digital currency, and studied issues related to the 14th Five-Year Plan.

Promoted the establishment of a green financial system

The PBC refined the policy framework for green finance, and facilitated the inclusion of the performance assessment on green credit into central bank ratings of financial institutions. It propelled the development of the green finance standard system, with one national standard initialized and two industrial standards passing reviews. Some green finance standards were rolled out on a trial basis in pilot zones for reform and innovation of green finance. The PBC promoted the alignment of China's green finance standards with international practices, and deepened international cooperation on green finance research and practice. It released the *China's Green Finance Development Report (2019)* and *Collections of Green Finance Reform and Innovation Cases*, to provide an overview of China's green finance development.

Advanced pilot work on financial support for regional development and regional financial reform

Following the major national development strategies, the PBC led the efforts in researching and promoting financial support policies for the development of Shanghai as an international financial center, the integrated development of the Yangtze River Delta, the development of Guangdong-Hong Kong-Macao Greater Bay Area, the development of Hainan Free Trade Port, and the building of Chengdu and Chongqing economic circle. It coordinated financial support for the development of pilot free trade zones in Beijing, Hunan, and Anhui. It continued to provide solid financial

support for the development of the Yangtze River Economic Belt and the Yellow River basin area, and revitalization of Northeast China and the previous Central Soviet Area in the South of Jiangxi, as well as the development of Xinjiang, Tibet and Tibetan-inhabited prefectures and counties in Sichuan, Yunnan, Gansu and Qinghai. The PBC not only guided and facilitated various pilot regional financial reforms, but organized researches on sci-tech finance and preliminary evaluation and screening for establishing pilot zones. With support from the PBC, local governments carried out green finance reforms and innovation. Approved by the State Council, Ganzhou and Ji'an of Jiangxi province set up pilot zones for inclusive finance reform, while Linyi of Shandong province established a pilot zone for rural revitalization supported by inclusive finance. Great efforts were also made to disseminate, replicate and scale up experience of pilot regional financial reforms.

Intensified the monitoring and analysis of economic and financial developments

The PBC strengthened analysis and judgment of China's macroeconomic and financial developments as well as employment situation under the impact of the COVID-19. It evaluated the effect of macro policies, focused on commodity price movements, and carried out price monitoring and analysis on a quarterly basis. It vigorously conducted surveys into MSB financing and implementation of the two monetary policy instruments directly benefiting the real economy, and gained deep insights on the fulfillment of the financial support policies during the

outbreak of COVID-19, to ensure stability on the six key fronts and maintain security in the six key areas. It expanded and improved macroeconomic models, enhanced forward-looking research into major international financial issues, stepped up the monitoring of and discussions on international economic and financial developments, monitored the economic vulnerability of emerging market economies, and conducted macroeconomic analysis of these economies.

The development of a national high-end think tank progressed smoothly

The PBC enhanced establishment of rules and regulations, and promoted the institutional innovation of think tank management. Following the requirements on national high-end think tanks, the PBC pressed ahead with the research and findings reporting of think tank topics. It held the 2020 Annual Conference of China Society for Finance and Banking and China Financial Forum, the Quarterly Academic Seminar of China International Economic Relations Association and several other high-profile academic conferences, co-hosted the 12th China-ASEAN Summit Forum on Financial Cooperation and Development, and hosted the sub-forum titled "challenges and opportunities of China's financial industry" during the 2020 Beijing Financial Street Forum, achieving satisfying academic discussion and policy dissemination effects. China Society for Finance and Banking was awarded by the Publicity Department of CPC Central Committee as its key associate think tank.

Positive Progress Made in Building a Green Financial System

In September 2020, China announced its aims of achieving carbon emissions peak by 2030 and carbon neutrality by 2060. The Fifth Plenary Session of the 19th CPC Central Committee stressed the work to accelerate green and low-carbon development. China's commitment to the world and the guiding principles of the Fifth Plenary Session of the 19th CPC Central Committee demonstrate China's image as a responsible major country determined to proactively address climate change and promote the development of a community with a shared future for the mankind. The commitments made at the Plenary Session pointed out the direction of China's green, low-carbon and high-quality development, and defined the general goal of green financial reform and development during the 14th Five-Year Plan period.

Under the leadership of the CPC Central Committee and the State Council, the PBC, together with relevant government agencies, constantly refined the top-level design of green finance, and supported the leapfrog development of green finance, preliminarily creating five pillars for green finance.

First, the development of green finance standards system was expedited. Following the principle of ensuring relevant standards are not only unified domestically but also aligned with international practices, the PBC fully considered international concerns and China's national conditions, focused on climate change, pollution control, energy conservation and emission reduction, and constantly improved the system of green finance standards. The statistics system of green finance was gradually enhanced, significant progress was made in

setting multiple green finance standards, and the comparative study of Chinese and EU green finance taxonomies was about to be completed, which provided solid guarantee for regulating green finance business, achieving business sustainability when pursuing green finance, and promoting green economic and social development. Some green finance standards were applied in pilot zones for reform and innovation of green finance.

Second, requirements of information disclosure and regulation on financial institutions continued to tighten. The PBC continued to facilitate financial institutions, securities issuers and the public sector to make environmental information disclosure more mandatory and standardized in a categorized way. It also gradually advanced the pilot program of China-UK Climate and Environmental Information Disclosure for financial institutions, the experience from which is already available for replication in other places. The green finance information management system ensured the direct information connection between regulatory authorities and financial institutions, thus making the regulation of green finance businesses more effective.

Third, the incentive and constraint mechanism was improved gradually across the board. Based on policies on green finance assessment, interest subsidies and rewards, the PBC guided financial institutions to increase the allocation of green assets and enhance the management of environmental risks, which could help reinforce the financial sector's capacity to support green low-carbon development.

Fourth, green financial products and market

system continued to diversify. By encouraging product innovation, improving the issuance system, regulating trading procedures and enhancing transparency, China has fostered a multi-tiered green financial product and market system. As of end-2020, outstanding green loans registered approximately RMB12 trillion, ranking first in the world. Outstanding green bonds amounted to RMB813.2 billion, the second largest globally. Meanwhile, the quality of green financial assets was generally sound, with the NPL ratio of green loans much lower than that of commercial bank loans nationwide, and without any defaults on green bonds.

Fifth, international cooperation on green finance continued to deepen. The PBC actively leveraged various multilateral and bilateral platforms and cooperation mechanisms to enhance international exchanges on green finance. Thus, China's green finance policies, standards, products and market were more widely recognized by the international community with broader involvement of the

international community.

Besides, China deepened green finance reform and innovation at the grassroots level. As the world's only country to establish pilot zones for reform and innovation of green finance, China has witnessed significant improvements in the provision of green financial services in pilot zones in recent years. As of end-2020, outstanding green loans issued in pilot zones for reform and innovation of green finance in nine cities of six provinces (autonomous regions) hit RMB236.83 billion, accounting for 15.1 percent of the total outstanding loans, and outstanding green bonds recorded RMB135.05 billion. Some reform and innovation experience on green finance has been introduced to other regions. Specifically, thanks to the effective transformation of ecological resources, technological empowerment and synergy of central and local government policies, Huzhou of Zhejiang province achieved efficiency both environmentally and economically.

GOVERNMENT INFORMATION DISCLOSURE AND CENTRAL BANK COMMUNICATION

The PBC intensified efforts to release news and offered policy interpretations. The PBC leadership actively assumed the responsibility as the primary spokespersons. In 2020, Governor Yi Gang, Secretary of the CPC PBC Committee Guo Shuqing and other leaders of the PBC accepted eight interviews from the press, attended 13 news conferences and briefings of the State Council Information Office, and published 23 signed articles in *Qiushi*, *Economic Daily*, *Financial Times* and other domestic and overseas mainstream media, giving authoritative interpretations on such topics as financial support for COVID-19 containment, financial institutions' support for the real economy and their reasonable reduction of profits in favor of the real economy. The PBC further improved the regular press release mechanism. While the frequency remains the same, the quarterly press conference on financial statistics has expanded media coverage as well as information for release, and improved the efficiency of policy interpretation. It worked innovatively by holding four serial press conferences themed on providing financial support to protect market players, so as to increase the depth of press release on specific topics and expand policy outreach.

The PBC addressed topical issues in time, and improved the transparency of central bank policies. This year, with a focus on coordinating COVID-19 containment and economic and social development, winning a decisive battle against poverty, preventing and defusing major financial risks, promoting green finance, protecting personal information, providing convenience to the public with mobile payment, and other popular economic and

financial issues, the PBC provided timely interpretations of policy background and measures, and addressed public concerns in various ways, constantly improving the transparency and credibility of central bank communication.

By launching the special column on central bank research, the PBC improved its influence of theoretical research. In November 2020, the column was launched simultaneously on the government website, the government official WeChat account and Weibo. Focusing on policy issues that people talked about most, the PBC carried out theoretical analyses and interpretations, and published six policy research papers and four working papers contributed by the leadership, including Governor Yi Gang, Secretary of the CPC PBC Committee Guo Shuqing and Deputy Governor Chen Yulu, as well as by research teams. The theoretical research results of the central bank were disseminated in plain and lucid language, thereby strengthening academic exchange with the economic and financial academia.

The PBC actively expanded communication channels and took advantage of new media for government affairs. In 2020, the PBC released more than 30 thousand pieces of information on its website, including nearly 405 pieces of news. It updated the English website in a synchronized manner to reach out to more international audience, and released more than 1 190 pieces of information in English. A total of 2 038 articles were published on its WeChat official account for government affairs named the People's Bank of China and the PBC Microblog, with over 40 million page views and attracting nearly 5 million followers.

STATISTICAL ANNEX

Selected Economic Indicators

(Year-End Balance)

RMB100 million

	2016	2017	2018	2019	2020
Gross Domestic Product	746 395	832 036	919 281	986 515	1 013 567
Industrial Value Added	245 406	275 119	301 089	311 859	313 071
Fixed Asset Investments	434 364	461 284	488 499	513 608	527 270
Retail Sales of Consumer Goods	332 316	366 262	380 987	411 649	391 981
Urban Households	285 814	314 290	325 637	351 318	339 119
Rural Households	46 503	51 972	55 350	60 332	52 862
Exports & Imports (US\$100 million)	36 856	41 071	46 224	45 779	46 559
Exports	20 976	22 633	24 867	24 995	25 900
Imports	15 879	18 438	21 357	20 784	20 660
Balance	5 097	4 196	3 509	4 211	5 240
Actual Use of Foreign Direct Investments (US\$100 million)	1 260	1 310	1 350	1 381	1 444
Foreign Exchange Reserves (US\$100 million)	30 105	31 399	30 727	31 079	32 165
Consumer Price Index (Previous year=100)	102.0	101.6	102.1	102.9	102.5
Government Revenue	159 605	172 593	183 360	190 390	182 914
Government Expenditures	187 755	203 085	220 904	238 858	245 679
Fiscal Balance (negative figure indicates a surplus)	21 800	23 800	23 800	27 600	37 600
Urban Household Disposable Income Per Capita (yuan)	33 616	36 396	39 251	42 359	43 834
Rural Household Disposable Income Per Capita (yuan)	12 363	13 432	14 617	16 021	17 131
Number of Employed Persons in Urban Areas (million)	420.5	432.1	442.9	452.5	462.7
Registered Urban Unemployment Rate (%)	4.02	3.90	3.80	3.62	4.24
Total Population (million)	1 392.3	1 400.1	1 405.4	1 410.1	1 412.1

Notes: 1. Source: 2021 China Statistical Yearbook.

2. The GDP and industrial value added in absolute terms are calculated at current prices, while their growth rates are calculated at constant prices.

Selected Economic Indicators

(Growth Rates)

%

	2016	2017	2018	2019	2020
Gross Domestic Product	6.8	6.9	6.7	6.0	2.2
Industrial Value Added	5.7	6.2	6.1	4.8	2.4
Fixed Asset Investments	7.0	6.2	5.9	5.1	2.7
Retail Sales of Consumer Goods	10.4	10.2	9.0	8.0	-3.9
Urban Households	10.4	10.0	8.8	7.9	-4.0
Rural Households	10.9	11.8	10.1	9.0	-3.2
Exports & Imports	-6.8	11.4	12.5	-1.0	1.7
Exports	-7.7	7.9	9.9	0.5	3.6
Imports	-5.5	16.1	15.8	-2.7	-0.6
Balance					
Actual Use of Foreign Direct Investments	-0.2	4.0	3.0	2.3	4.5
Foreign Exchange Reserves	-9.6	4.3	-2.1	1.1	3.5
Consumer Price Index	2.0	1.6	2.1	2.9	2.5
Government Revenue	4.5	7.4	6.2	3.8	-3.9
Government Expenditures	6.3	7.6	8.7	8.1	2.9
Urban Household Disposable Income Per Capita (inflation-adjusted)	5.6	6.5	5.6	5.0	1.2
Rural Household Disposable Income Per Capita (inflation-adjusted)	6.2	7.3	6.6	6.2	3.8
Number of Employed Persons in Urban Areas	2.8	2.8	2.5	2.2	2.3
Natural Population Growth (‰)	6.5	5.6	3.8	3.3	1.5

Note: Same as the notes for the previous table.

⑨ Aggregate Financing to the Real Economy

Aggregate Financing to the Real Economy (Increment)

Item	2019		2020	
	Increment (RMB100 million)	Proportion (%)	Increment (RMB100 million)	Proportion (%)
Aggregate Financing to the Real Economy	256 735	100.0	347 917	100.0
Of which: RMB Loans	168 835	65.8	200 310	57.6
Foreign Currency–Denominated Loans (RMB equivalent)	-1 275	-0.5	1 450	0.4
Entrusted Loans	-9 396	-3.7	-3 954	-1.1
Trust Loans	-3 467	-1.4	-11 020	-3.2
Undiscounted Bankers' Acceptances	-4 757	-1.9	1 746	0.5
Corporate Bonds	33 384	13.0	43 748	12.6
Government Bonds	47 204	18.4	83 217	23.9
Domestic Equity Financing by Non- Financial Corporations	3 479	1.4	8 923	2.6

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, China Central Depository & Clearing Co., Ltd. (CCDC), and National Association of Financial Market Institutional Investors (NAFMII) etc..

3. 2019 data are retroactively-adjusted on comparable basis.

4. The PBC further improved the statistics of the AFRE from December 2019, by incorporating treasury bonds and local government general bonds into the statistics of the 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 the AFRE from September 2019 by incorporating exchange-listed corporate asset-backed securities into corporate bonds. Starting from September 2018, the PBC included local government special bonds in the statistics of the 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 the AFRE under the item of other financing.

Aggregate Financing to the Real Economy (Stock), 2020

Item	Stock (RMB trillion)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	284.75	13.3	100.0
Of which: RMB Loans	171.60	13.2	60.3
Foreign Currency–Denominated Loans (RMB equivalent)	2.10	-0.6	0.7
Entrusted Loans	11.06	-3.4	3.9
Trust Loans	6.34	-14.8	2.2
Undiscounted Bankers' Acceptances	3.51	5.3	1.2
Corporate Bonds	27.55	16.9	9.7
Government Bonds	46.05	22.1	16.2
Domestic Equity Financing by Non-Financial Corporations	8.25	12.1	2.9

Notes: 1. The stock of the aggregate financing 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 growth rates are calculated at comparable prices and on a year-on-year basis.

4. Sources: PBC, CBIRC, CSRC, CCDC, and NAFMII etc..

Aggregate Financing to the Real Economy (Increment), 2020, By Region

RMB100 million

Region	Aggregate Financing to the Real Economy	Of which							
		RMB Loans	Foreign Currency-Denominated Loans (RMB equivalent)	Entrusted Loans	Trust Loans	Undiscounted Bankers' Acceptances	Corporate Bonds	Government Bonds	Domestic Equity Financing by Non-Financial Corporations
Beijing	16 631	7 913	-115	-949	-810	-744	6 063	1 676	1 304
Tianjin	4 508	2 840	-27	-295	-380	-614	1 005	1 409	232
Hebei	10 169	7 156	89	178	-1 026	515	137	2 273	76
Shanxi	4 689	2 638	-88	-25	-27	-126	971	966	20
Inner Mongolia	1 095	168	-1	16	-40	-113	-293	968	24
Liaoning	1 310	2 862	-148	-429	-131	-2 252	-58	396	60
Jilin	3 579	1 874	-9	292	-89	152	126	885	38
Heilongjiang	1 899	1 065	-7	-39	-485	211	-50	933	28
Shanghai	10 916	6 896	373	-272	-1 746	679	1 603	1 180	1 508
Jiangsu	33 611	21 082	356	-355	379	1 581	5 861	2 376	870
Zhejiang	32 155	21 772	95	-143	-722	1 375	5 193	2 285	953
Anhui	9 251	7 236	5	-384	-349	-333	604	1 655	179
Fujian	10 592	6 960	114	-233	-751	590	1 489	1 306	359
Jiangxi	8 550	5 917	78	-159	-495	-170	1 056	1 794	147
Shandong	20 108	11 732	93	13	-676	-374	3 555	3 467	287
Henan	11 472	7 211	36	-47	277	90	707	1 907	225
Hubei	10 433	7 798	-35	-107	-1 251	-324	1 505	2 006	294
Hunan	10 779	7 028	22	-58	-285	97	1 571	1 637	156
Guangdong	40 692	27 554	668	-407	-1 304	2 243	5 260	3 289	1 406
Guangxi	7 089	4 748	17	-4	0	116	799	1 166	28
Hainan	970	654	-117	6	0	-122	2	399	23
Chongqing	8 101	4 785	165	-11	-261	167	1 278	1 184	105
Sichuan	14 334	8 411	260	-48	-549	450	2 403	2 165	324
Guizhou	6 567	3 789	8	-145	881	-323	773	1 184	27
Yunnan	5 873	3 512	-6	-452	232	-19	448	1 563	88
Tibet	491	262	0	45	-178	45	163	121	12
Shaanxi	6 407	4 797	76	-247	-1 066	263	1 299	883	112
Gansu	4 016	1 502	10	2	911	32	248	821	20
Qinghai	117	-51	-2	-20	-400	101	-11	349	0
Ningxia	872	576	1	0	0	-41	26	198	0
Xinjiang	4 558	2 420	-11	233	-134	329	152	1 221	18

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 etc..

3. AFRE provided by the headquarters of financial institutions totaled RMB4.61 trillion.

Selected Financial Indicators

(Year-End Balance)

RMB100 million

	2016	2017	2018	2019	2020
Money & Quasi-Money (M_2)	1 550 066.7	1 690 235.3	1 826 744.2	1 986 488.8	2 186 795.9
Money (M_1)	486 557.2	543 790.2	551 685.9	576 009.2	625 581.0
Currency in Circulation (M_0)	68 303.9	70 645.6	73 208.4	77 189.5	84 314.5
Total Deposits with Financial Institutions	1 505 863.8	1 641 044.2	1 775 225.7	1 928 785.3	2 125 720.9
Savings Deposits	569 149.3	595 972.6	631 202.4	697 395.4	809 051.1
Non-Financial Enterprise Deposits	502 178.4	542 404.6	562 976.2	595 365.0	660 180.2
Total Lending by Financial Institutions	1 066 040.1	1 201 321.0	1 362 966.7	1 531 123.2	1 727 452.1

Note: Housing provident fund deposits 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)

%

	2016	2017	2018	2019	2020
Money & Quasi-Money (M_2)	11.3	8.1	8.1	8.7	10.1
Money (M_1)	21.4	11.8	1.5	4.4	8.6
Currency in Circulation (M_0)	8.1	3.4	3.6	5.4	9.2
Total Deposits with Financial Institutions	11.0	9.0	8.2	8.7	10.2
Savings Deposits	8.2	4.7	5.9	10.5	16.0
Non-Financial Enterprise Deposits	16.7	8.0	3.8	5.8	10.9
Total Lending by Financial Institutions	13.5	12.7	13.5	12.3	12.8

Note: Housing provident fund deposits and deposits of non-depository financial institutions with depository financial institutions have already been included in money supply since October 2011.

⑨ Monetary Statistics

Depository Corporations Survey, 2020 (Quarter-End Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Net Foreign Assets	262 342.17	266 549.11	269 648.15	269 522.17
Domestic Credit	2 288 671.88	2 351 762.00	2 406 930.95	2 440 004.58
Claims on Government (net)	305 249.10	314 981.13	331 230.85	340 193.67
Claims on Non-Financial Sectors	1 718 472.52	1 774 684.78	1 825 816.40	1 853 490.30
Claims on Other Financial Sectors	264 950.26	262 096.09	249 883.70	246 320.60
Money & Quasi-Money	2 080 923.41	2 134 948.66	2 164 084.80	2 186 795.89
Money	575 050.29	604 317.97	602 312.12	625 580.99
Currency in Circulation	83 022.21	79 459.41	82 370.87	84 314.53
Corporate Demand Deposits	492 028.08	524 858.56	519 941.25	541 266.46
Quasi-Money	1 505 873.12	1 530 630.69	1 561 772.69	1 561 214.90
Corporate Time Deposits	390 274.95	399 039.85	407 659.25	383 837.34
Personal Deposits	884 279.26	903 187.93	919 507.05	932 966.35
Other Deposits	231 318.92	228 402.91	234 606.39	244 411.22
Deposits Excluded from Broad Money	49 279.73	50 241.03	52 849.76	53 519.40
Bonds	282 406.48	289 588.47	307 571.96	312 180.25
Paid-in Capital	66 430.96	68 418.68	70 797.11	73 565.84
Others (net)	71 973.47	75 114.28	81 275.47	83 465.37

Balance Sheet of the Monetary Authority, 2020 (Quarter-End Balance)

	RMB100 million			
	Q1	Q2	Q3	Q4
Foreign Assets	218 315.78	218 332.59	218 213.05	218 039.98
Foreign Exchange	212 079.04	211 742.47	211 625.40	211 308.10
Monetary Gold	2 855.63	2 855.63	2 855.63	2 855.63
Other Foreign Assets	3 381.11	3 734.49	3 732.02	3 876.25
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	113 014.34	111 618.60	123 619.62	133 355.47
Claims on Other Financial Corporations	4 734.95	4 747.46	4 741.61	4 447.14
Claims on Non-Financial Sectors				
Other Assets	14 059.42	13 982.40	12 903.17	16 582.70
Total Assets	365 374.74	363 931.30	374 727.69	387 675.54
Reserve Money	317 806.72	308 338.55	315 643.28	330 428.14
Currency Issues	90 750.94	85 413.10	88 063.47	89 823.29
Deposits of Financial Corporations	212 680.93	207 202.69	209 650.34	222 906.08
Deposits of Other Depository Corporations	212 680.93	207 202.69	209 650.34	222 906.08
Deposits of Other Financial Corporations				
Deposits of Non-Financial Institutions	14 374.85	15 722.76	17 929.48	17 698.77
Deposits of Financial Corporations Excluded from Reserve Money	5 016.28	4 749.82	5 292.63	4 881.82
Bond Issues	985.00	950.00	950.00	900.00
Foreign Liabilities	1 896.22	1 198.45	1 080.69	929.67
Government Deposits	30 775.31	38 252.64	39 774.34	38 681.53
Equity	219.75	219.75	219.75	219.75
Other Liabilities	8 675.46	10 222.08	11 767.00	11 634.63
Total Liabilities	365 374.74	363 931.30	374 727.69	387 675.54

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

Balance Sheet of Other Depository Corporations, 2020 (Quarter-End Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	64 484.14	67 183.74	69 990.70	69 050.84
Reserve Assets	224 365.39	217 384.93	219 441.36	232 330.79
Deposits with the Central Bank	216 636.65	211 431.23	213 748.76	226 822.03
Cash in Vault	7 728.74	5 953.69	5 692.60	5 508.75
Claims on Government	320 774.17	337 983.53	355 754.94	363 624.95
Of which: Central Government	320 774.17	337 983.53	355 754.94	363 624.95
Claims on the Central Bank			6.17	6.17
Claims on Other Depository Corporations	304 461.06	307 125.89	311 280.51	309 122.76
Claims on Other Financial Corporations	260 215.31	257 348.62	245 142.09	241 873.46
Claims on Non-Financial Corporations	1 159 862.59	1 192 614.55	1 218 410.76	1 229 057.23
Claims on Other Resident Sectors	558 609.93	582 070.23	607 405.65	624 433.07
Other Assets	115 285.23	121 668.53	121 551.23	120 489.84
Total Assets	3 008 057.81	3 083 380.02	3 148 983.40	3 189 989.11
Liabilities to Non-Financial Institutions & Households	1 885 969.25	1 948 426.34	1 976 994.74	1 987 799.10
Deposits Included in Broad Money	1 766 582.29	1 827 086.34	1 847 107.55	1 858 070.14
Corporate Demand Deposits	492 028.08	524 858.56	519 941.25	541 266.46
Corporate Time Deposits	390 274.95	399 039.85	407 659.25	383 837.34
Personal Deposits	884 279.26	903 187.93	919 507.05	932 966.35
Deposits Excluded from Broad Money	49 279.73	50 241.03	52 849.76	53 519.40
Transferable Deposits	15 202.49	16 798.53	19 161.80	21 941.94
Other Deposits	34 077.24	33 442.50	33 687.96	31 577.46
Other Liabilities	70 107.22	71 098.98	77 037.43	76 209.56
Liabilities to the Central Bank	109 647.99	112 609.47	119 562.53	129 521.32
Liabilities to Other Depository Corporations	118 730.74	116 114.15	110 277.61	115 915.91
Liabilities to Other Financial Corporations	195 538.38	192 415.61	204 214.90	209 083.25
Of which: Deposits Included in Broad Money	191 193.15	188 016.89	199 085.25	205 279.04
Foreign Liabilities	18 561.53	17 768.76	17 474.91	16 638.97
Bond Issues	282 406.48	289 588.47	307 571.96	312 180.25
Paid-in Capital	66 211.21	68 198.92	70 577.36	73 346.09
Other Liabilities	330 992.22	338 258.29	342 309.41	345 504.21
Total Liabilities	3 008 057.81	3 083 380.02	3 148 983.40	3 189 989.11

Balance Sheet of Large Domestic Banks, 2020 (Quarter-End Balance)

	RMB100 million			
	Q1	Q2	Q3	Q4
Foreign Assets	33 157.44	33 900.48	36 751.00	35 302.07
Reserve Assets	116 894.76	108 889.98	110 309.63	113 839.90
Deposits with the Central Bank	112 898.92	105 947.81	107 596.67	111 177.42
Cash in Vault	3 995.84	2 942.17	2 712.96	2 662.47
Claims on Government	197 849.92	205 992.41	217 283.96	217 998.60
Of which: Central Government	197 849.92	205 992.41	217 283.96	217 998.60
Claims on the Central Bank				
Claims on Other Depository Corporations	114 136.52	114 632.76	112 655.08	108 597.44
Claims on Other Financial Corporations	68 377.02	66 055.33	62 433.21	60 305.48
Claims on Non-Financial Corporations	568 502.15	581 121.19	595 056.01	594 802.88
Claims on Other Resident Sectors	277 069.44	288 410.22	298 863.66	305 838.31
Other Assets	52 508.88	56 804.76	57 135.29	54 583.98
Total Assets	1 428 496.13	1 455 807.14	1 490 487.83	1 491 268.67
Liabilities to Non-Financial Institutions & Households	953 871.79	978 032.42	998 825.62	985 191.69
Deposits Included in Broad Money	866 580.74	887 989.31	902 286.44	892 571.31
Corporate Demand Deposits	240 938.81	252 207.84	249 625.90	250 189.73
Corporate Time Deposits	137 020.20	140 539.54	149 069.85	136 502.22
Personal Deposits	488 621.72	495 241.94	503 590.69	505 879.35
Deposits Excluded from Broad Money	24 952.21	26 041.27	27 491.94	26 449.90
Transferable Deposits	7 326.00	7 786.37	8 978.55	9 544.94
Other Deposits	17 626.22	18 254.90	18 513.39	16 904.96
Other Liabilities	62 338.84	64 001.84	69 047.24	66 170.49
Liabilities to the Central Bank	52 966.17	54 723.06	56 597.32	57 687.48
Liabilities to Other Depository Corporations	31 747.12	25 902.79	21 162.92	26 920.05
Liabilities to Other Financial Corporations	79 298.88	75 949.04	80 781.25	82 113.47
Of which: Deposits Included in Broad Money	77 594.70	74 477.09	79 325.31	80 651.78
Foreign Liabilities	5 994.26	6 013.03	6 242.17	6 432.25
Bond Issues	121 255.30	125 544.52	134 117.49	135 748.33
Paid-in Capital	27 535.37	28 782.98	29 525.34	29 581.65
Other Liabilities	155 827.24	160 859.31	163 235.72	167 593.76
Total Liabilities	1 428 496.13	1 455 807.14	1 490 487.83	1 491 268.67

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

Balance Sheet of Medium-Sized Domestic Banks, 2020 (Quarter-End Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	26 464.34	27 852.41	27 408.73	27 381.75
Reserve Assets	35 071.78	38 061.37	37 011.06	38 412.01
Deposits with the Central Bank	34 417.42	37 551.73	36 534.23	37 925.89
Cash in Vault	654.36	509.64	476.83	486.12
Claims on Government	66 926.89	70 351.79	72 234.32	74 432.87
Of which: Central Government	66 926.89	70 351.79	72 234.32	74 432.87
Claims on the Central Bank				
Claims on Other Depository Corporations	41 502.95	40 177.24	43 509.74	41 322.24
Claims on Other Financial Corporations	92 841.68	94 401.50	90 230.04	91 603.75
Claims on Non-Financial Corporations	281 922.40	290 139.00	294 600.30	298 540.07
Claims on Other Resident Sectors	134 330.58	139 355.61	146 109.37	150 880.60
Other Assets	20 587.01	20 978.51	21 195.53	21 915.63
Total Assets	699 647.65	721 317.43	732 299.11	744 488.91
Liabilities to Non-Financial Institutions & Households	334 296.57	347 635.82	344 403.32	347 617.39
Deposits Included in Broad Money	315 465.92	329 398.94	325 145.92	326 483.64
Corporate Demand Deposits	110 615.17	120 417.03	120 167.49	126 363.14
Corporate Time Deposits	127 375.63	128 614.46	126 127.25	118 874.32
Personal Deposits	77 475.13	80 367.44	78 851.17	81 246.19
Deposits Excluded from Broad Money	14 911.18	14 594.06	15 391.64	16 365.06
Transferable Deposits	4 442.43	4 975.58	6 026.11	7 273.58
Other Deposits	10 468.75	9 618.48	9 365.52	9 091.47
Other Liabilities	3 919.47	3 642.82	3 865.77	4 768.69
Liabilities to the Central Bank	39 978.04	38 057.19	39 175.43	42 300.52
Liabilities to Other Depository Corporations	37 387.31	40 504.52	38 007.75	38 744.30
Liabilities to Other Financial Corporations	73 350.42	73 856.06	80 542.39	83 304.80
Of which: Deposits Included in Broad Money	72 752.57	72 995.98	79 620.49	82 765.14
Foreign Liabilities	6 386.61	6 467.39	6 007.43	5 094.80
Bond Issues	122 559.48	127 383.32	136 647.89	140 070.20
Paid-in Capital	9 838.07	10 038.09	10 935.57	12 240.71
Other Liabilities	75 851.15	77 375.05	76 579.34	75 116.20
Total Liabilities	699 647.65	721 317.43	732 299.11	744 488.91

Note: Medium-sized domestic banks refer to those with total RMB and foreign currency assets of more than RMB300 billion but less than RMB2 trillion (with the total size of local and foreign currency assets at end-2008 as a reference), including the China Merchants Bank, the Agricultural Development Bank of China, the Shanghai Pudong Development Bank, the China CITIC Bank, the Industrial Bank, the China Minsheng Bank, the China Everbright Bank, the Hua Xia Bank, the Export-Import Bank of China, the Guangdong Development Bank, the Ping An Bank, the Bank of Beijing, the Bank of Shanghai, and the Bank of Jiangsu.

Balance Sheet of Small Domestic Banks, 2020 (Quarter-End Balance)

	RMB100 million			
	Q1	Q2	Q3	Q4
Foreign Assets	1 951.85	2 383.16	2 550.54	3 078.72
Reserve Assets	57 778.64	56 809.85	58 074.87	64 114.27
Deposits with the Central Bank	55 143.22	54 667.04	55 940.82	62 054.37
Cash in Vault	2 635.42	2 142.81	2 134.05	2 059.90
Claims on Government	49 685.10	55 081.28	59 448.39	63 444.50
Of which: Central Government	49 685.10	55 081.28	59 448.39	63 444.50
Claims on the Central Bank				6.17
Claims on Other Depository Corporations	101 734.81	105 005.43	109 891.02	108 370.66
Claims on Other Financial Corporations	90 650.76	87 818.87	82 618.17	78 919.65
Claims on Non-Financial Corporations	251 022.19	262 239.50	268 726.89	273 958.43
Claims on Other Resident Sectors	129 592.36	136 545.91	144 654.72	150 345.78
Other Assets	25 007.91	26 823.68	26 497.16	27 301.74
Total Assets	707 423.63	732 707.69	752 461.74	769 539.91
Liabilities to Non-Financial Institutions & Households	485 349.63	507 468.81	519 815.78	528 720.91
Deposits Included in Broad Money	478 643.74	500 897.39	512 890.78	521 157.98
Corporate Demand Deposits	104 738.33	113 279.78	115 377.73	118 138.45
Corporate Time Deposits	93 003.52	96 532.61	96 862.89	92 853.20
Personal Deposits	280 901.89	291 084.99	300 650.16	310 166.33
Deposits Excluded from Broad Money	4 483.70	4 461.24	4 673.18	4 867.82
Transferable Deposits	995.72	1 182.68	1 324.07	1 590.70
Other Deposits	3 487.98	3 278.56	3 349.11	3 277.12
Other Liabilities	2 222.19	2 110.18	2 251.82	2 695.10
Liabilities to the Central Bank	15 775.14	18 768.48	22 308.34	27 800.90
Liabilities to Other Depository Corporations	37 436.69	38 671.55	39 523.66	39 461.51
Liabilities to Other Financial Corporations	40 815.26	40 659.74	40 877.55	41 634.31
Of which: Deposits Included in Broad Money	39 211.54	39 041.45	38 789.05	40 394.11
Foreign Liabilities	979.36	864.52	836.37	769.46
Bond Issues	37 591.87	35 587.77	35 825.32	35 465.56
Paid-in Capital	19 286.68	19 702.12	20 179.86	21 444.32
Other Liabilities	70 189.01	70 984.70	73 094.86	74 242.95
Total Liabilities	707 423.63	732 707.69	752 461.74	769 539.91

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

Balance Sheet of Foreign-Funded Banks, 2020 (Quarter-End Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	2 673.22	2 810.68	3 075.21	3 091.26
Reserve Assets	2 947.66	3 113.00	2 949.85	3 202.51
Deposits with the Central Bank	2 943.45	3 109.24	2 946.34	3 199.28
Cash in Vault	4.21	3.77	3.51	3.23
Claims on Government	4 089.15	4 023.48	4 149.56	4 806.17
Of which: Central Government	4 089.15	4 023.48	4 149.56	4 806.17
Claims on the Central Bank				
Claims on Other Depository Corporations	4 797.56	4 296.98	4 499.94	4 738.52
Claims on Other Financial Corporations	3 727.51	3 668.68	3 753.09	4 395.40
Claims on Non-Financial Corporations	13 108.27	12 982.95	13 169.35	13 298.72
Claims on Other Resident Sectors	1 685.30	1 708.24	1 779.26	1 872.50
Other Assets	13 326.28	13 175.84	12 794.78	12 452.47
Total Assets	46 354.95	45 779.87	46 171.03	47 857.57
Liabilities to Non-Financial Institutions & Households	19 032.60	19 246.58	19 952.16	22 026.05
Deposits Included in Broad Money	13 522.71	13 896.00	14 108.49	15 504.57
Corporate Demand Deposits	4 587.27	4 866.91	4 364.14	5 743.60
Corporate Time Deposits	7 576.28	7 642.56	8 396.12	8 361.52
Personal Deposits	1 359.16	1 386.53	1 348.23	1 399.45
Deposits Excluded from Broad Money	3 982.69	4 092.30	4 056.36	4 084.12
Transferable Deposits	1 841.45	2 155.97	2 122.49	2 325.46
Other Deposits	2 141.24	1 936.34	1 933.87	1 758.66
Other Liabilities	1 527.20	1 258.28	1 787.30	2 437.35
Liabilities to the Central Bank	64.72	73.98	296.14	421.80
Liabilities to Other Depository Corporations	2 301.97	2 523.55	2 537.95	2 256.73
Liabilities to Other Financial Corporations	1 442.10	1 317.87	1 285.80	1 402.92
Of which: Deposits Included in Broad Money	1 313.12	1 181.47	1 111.56	1 204.80
Foreign Liabilities	5 197.12	4 422.57	4 388.02	4 341.57
Bond Issues	988.26	965.82	903.58	845.42
Paid-in Capital	1 983.34	1 988.30	1 986.26	1 999.09
Other Liabilities	15 344.83	15 241.19	14 821.13	14 563.99
Total Liabilities	46 354.95	45 779.87	46 171.03	47 857.57

Balance Sheet of Rural Credit Cooperatives, 2020 (Quarter-End Balance)

	RMB100 million			
	Q1	Q2	Q3	Q4
Foreign Assets	4.71	4.75	4.51	4.49
Reserve Assets	8 267.17	7 311.18	7 926.54	8 862.89
Deposits with the Central Bank	7 828.28	6 955.90	7 563.31	8 565.89
Cash in Vault	438.88	355.28	363.23	297.00
Claims on Government	2 067.91	2 314.03	2 363.68	2 692.92
Of which: Central Government	2 067.91	2 314.03	2 363.68	2 692.92
Claims on the Central Bank			6.17	
Claims on Other Depository Corporations	18 698.39	17 701.02	18 094.28	16 058.76
Claims on Other Financial Corporations	950.60	939.08	1 479.05	1 118.66
Claims on Non-Financial Corporations	14 269.69	14 036.33	13 773.99	13 052.93
Claims on Other Resident Sectors	14 705.13	14 815.82	14 741.73	14 149.31
Other Assets	3 218.32	3 272.07	3 340.72	3 404.54
Total Assets	62 181.91	60 394.28	61 730.65	59 344.49
Liabilities to Non-Financial Institutions & Households	43 665.76	42 837.31	42 849.44	41 287.91
Deposits Included in Broad Money	43 579.93	42 764.74	42 778.62	41 168.20
Corporate Demand Deposits	6 378.96	6 339.14	6 425.03	5 697.44
Corporate Time Deposits	1 287.62	1 326.34	1 294.07	1 202.72
Personal Deposits	35 913.35	35 099.25	35 059.52	34 268.03
Deposits Excluded from Broad Money	0.23	0.48	0.45	1.00
Transferable Deposits	0.21	0.47	0.44	0.99
Other Deposits	0.02	0.01	0.01	0.01
Other Liabilities	85.60	72.09	70.36	118.71
Liabilities to the Central Bank	573.33	682.47	805.82	940.51
Liabilities to Other Depository Corporations	8 455.46	7 432.45	7 905.75	7 646.92
Liabilities to Other Financial Corporations	222.29	263.58	293.24	318.60
Of which: Deposits Included in Broad Money	101.53	91.35	73.18	56.56
Foreign Liabilities	0.89	0.93	0.92	0.90
Bond Issues	1.57	6.55	17.45	8.25
Paid-in Capital	1 374.95	1 343.69	1 318.81	1 305.95
Other Liabilities	7 887.65	7 827.31	8 539.22	7 835.45
Total Liabilities	62 181.91	60 394.28	61 730.65	59 344.49

Balance Sheet of Finance Companies, 2020 (Quarter-End Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	232.57	232.26	200.70	192.54
Reserve Assets	3 405.37	3 199.54	3 169.41	3 899.21
Deposits with the Central Bank	3 405.35	3 199.53	3 167.38	3 899.18
Cash in Vault	0.02	0.01	2.03	0.03
Claims on Government	155.20	220.55	275.03	249.89
Of which: Central Government	155.20	220.55	275.03	249.89
Claims on the Central Bank				
Claims on Other Depository Corporations	23 590.83	25 312.46	22 630.45	30 035.13
Claims on Other Financial Corporations	3 667.74	4 465.15	4 628.54	5 530.52
Claims on Non-Financial Corporations	31 037.90	32 095.58	33 084.23	35 404.21
Claims on Other Resident Sectors	1 227.11	1 234.42	1 256.90	1 346.57
Other Assets	636.82	613.65	587.76	831.48
Total Assets	63 953.55	67 373.61	65 833.03	77 489.56
Liabilities to Non-Financial Institutions & Households	49 752.89	53 205.40	51 148.42	62 955.15
Deposits Included in Broad Money	48 789.24	52 139.97	49 897.30	61 184.44
Corporate Demand Deposits	24 769.53	27 747.86	23 980.95	35 134.09
Corporate Time Deposits	24 011.70	24 384.34	25 909.06	26 043.35
Personal Deposits	8.01	7.78	7.28	7.00
Deposits Excluded from Broad Money	949.73	1 051.67	1 236.19	1 751.50
Transferable Deposits	596.68	697.46	710.14	1 206.27
Other Deposits	353.04	354.21	526.06	545.23
Other Liabilities	13.92	13.76	14.93	19.21
Liabilities to the Central Bank	290.59	304.28	379.49	370.11
Liabilities to Other Depository Corporations	1 402.19	1 079.29	1 139.58	886.41
Liabilities to Other Financial Corporations	409.44	369.33	434.67	309.15
Of which: Deposits Included in Broad Money	219.69	229.54	165.66	206.66
Foreign Liabilities	3.29	0.32		
Bond Issues	10.00	100.50	60.23	42.50
Paid-in Capital	6 192.81	6 343.75	6 631.52	6 774.37
Other Liabilities	5 892.35	5 970.74	6 039.12	6 151.87
Total Liabilities	63 953.55	67 373.61	65 833.03	77 489.56

Monetary Aggregates, 2020 (Quarter-End Balance)

	RMB100 million			
	Q1	Q2	Q3	Q4
Money & Quasi-Money (M_2)	2 080 923.41	2 134 948.66	2 164 084.80	2 186 795.89
Money (M_1)	575 050.29	604 317.97	602 312.12	625 580.99
Currency in Circulation (M_0)	83 022.21	79 459.41	82 370.87	84 314.53
Corporate Demand Deposits	492 028.08	524 858.56	519 941.25	541 266.46
Quasi-Money	1 505 873.12	1 530 630.69	1 561 772.69	1 561 214.90
Corporate Time Deposits	390 274.95	399 039.85	407 659.25	383 837.34
Personal Deposits	884 279.26	903 187.93	919 507.05	932 966.35
Other Deposits	231 318.92	228 402.91	234 606.39	244 411.22

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, 2020 (Growth Rate)

	%			
	Q1	Q2	Q3	Q4
Money & Quasi-Money (M_2)	10.1	11.1	10.9	10.1
Money (M_1)	5.0	6.5	8.1	8.6
Currency in Circulation (M_0)	10.8	9.5	11.1	9.2
Corporate Demand Deposits	4.1	6.0	7.6	8.5
Quasi-Money	12.2	13.1	11.9	10.7
Corporate Time Deposits	8.7	10.2	8.9	5.6
Personal Deposits	13.0	14.3	13.9	13.9
Other Deposits	15.5	13.5	10.0	7.3

Note: In January 2018, the PBC improved the statistical methodology for 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, 2019	Year-End Balance, 2020
100 Yuan Note	72 424.07	79 127.92
50 Yuan Note	3 250.40	3 372.46
20 Yuan Note	1 576.76	1 641.75
10 Yuan Note	2 394.04	2 422.10
5 Yuan Note	1 015.62	1 034.83
2 Yuan Note	38.80	38.78
1 Yuan Note	781.88	790.33
5 Jiao Note	153.92	153.67
2 Jiao Note	20.75	20.73
1 Jiao Note	71.02	70.92
5 Fen Note	1.56	1.56
2 Fen Note	1.76	1.76
1 Fen Note	2.92	2.92
1 Yuan Coin	642.93	651.54
5 Jiao Coin	248.05	254.96
1 Jiao Coin	141.04	143.72
5 Fen Coin	6.96	6.96
2 Fen Coin	5.82	5.82
1 Fen Coin	3.55	3.56
Total	82 781.86	89 746.29

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

Common Commemorative Coins (Banknotes) Issued by the PBC in 2020

Date of Issue	Theme	Made of	Piece	Denomination (Yuan)	Size of Issuance (100 million)
Jan. 17	Common Commemorative Coins Celebrating the Chinese Lunar New Year 2020	Golden and Silver Brass Alloy	1	10	2.5
Dec. 21	World Cultural and Natural Heritage - Mount Wuyi Common Commemorative Coins	Brass Alloy	1	5	1.2

Commemorative Coins Made of Precious Metals Issued by the PBC in 2020

Theme	Made of	Weight	Maximum Size of Issuance (coins)
2020 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	1 000
	Refined Gold Coin	150 Grams	10 000
	Refined Gold Coin	100 Grams	20 000
	Refined Gold Coin	50 Grams	30 000
Silver Commemorative Coin Celebrating the Chinese Lunar New Year 2020	Refined Silver Coin	1 Kilogram	20 000
	Refined Silver Coin	150 Grams	60 000
2020 Auspicious Culture Gold and Silver Commemorative Coins	Common Silver Coin	8 Grams	2 700 000
	Refined Gold Coin	5 Grams	5 000
	Refined Silver Coin	100 Grams	10 000
	Refined Silver Coin	60 Grams	20 000
	Refined Gold Coin	3 Grams	10 000
	Refined Silver Coin	30 Grams	20 000
World Heritage (Archaeological Ruins of Liangzhu City) Gold and Silver Commemorative Coins	Refined Bi-Metal Coin	8 Grams of Gold 4 Grams of Silver	5 000
	Refined Gold Coin	8 Grams	10 000
	Refined Silver Coin	500 Grams	3 000
	Refined Silver Coin	30 Grams	20 000

Theme	Made of	Weight	Maximum Size of Issuance (coins)
The 600th Anniversary of the Forbidden City Gold and Silver Commemorative Coins	Refined Gold Coin	1 Kilogram	100
	Refined Gold Coin	3 Grams	60 000
	Refined Silver Coin	2 Kilograms	3 000
	Refined Silver Coin	15 Grams	3×300 000
	Refined Silver Coin	5 Grams	2 000 000
2021 Chinese Xin Chou Year (Year of the Ox) 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	500
	Refined Gold Coin	150 Grams	600
	Refined Colored Gold Coin	150 Grams	1 000
	Refined Gold Coin	15 Grams	6 000
	Refined Gold Coin	10 Grams	10 000
	Refined Colored Gold Coin	3 Grams	120 000
	Refined Silver Coin	1 Kilogram	5 000
	Refined Silver Coin	150 Grams	5 000
	Refined Colored Silver Coin	150 Grams	10 000
	Refined Silver Coin	30 Grams	50 000
	Refined Silver Coin	30 Grams	30 000
	Refined Colored Silver Coin	30 Grams	200 000
Gold and Silver Commemorative Coins for the 70th Anniversary of the Chinese People's Volunteers Forces Entering the Democratic People's Republic of Korea (DPRK) to Help in the War to Resist the US Aggression and Aid the DPRK	Refined Gold Coin	8 Grams	30 000
	Refined Silver Coin	30 Grams	60 000
Gold and Silver Commemorative Coins of the XXIV Olympic Winter Games (First Issue)	Refined Gold Coin	150 Grams	1 000
	Refined Bi-Metal Coin	30 Grams of Gold	10 000
		12 Grams of Silver	
	Refined Gold Coin	5 Grams	2×40 000
	Refined Silver Coin	150 Grams	20 000
	Refined Silver Coin	15 Grams	4×80 000

Business Statistics on Non-Cash Payment Operations

		2019		2020	
		Transaction Volume (10 thousand)	Transaction Value (RMB100 million)	Transaction Volume (10 thousand)	Transaction Value (RMB100 million)
Bills	Bank Drafts	23.31	1 759.67	18.26	1 511.59
	Of which: Cash Bank Drafts	0.01	0.72	0.00	0.06
	Transfer Bank Drafts	23.30	1 758.95	18.26	1 511.53
	Commercial Drafts	2 106.78	182 522.59	2 285.27	199 297.37
	Of which: Commercial Acceptance Bills	612.50	59 668.25	216.38	25 065.64
	Bankers' Acceptance Bills	1 494.28	122 854.34	2 068.90	174 231.73
	Promissory Notes	68.78	6 419.47	36.65	4 178.90
	Of which: Cash Promissory Notes	0.04	2.35	0.01	0.72
	Transfer Promissory Notes	68.74	6 417.12	36.64	4 178.18
	Cheques	16 792.76	1 147 400.13	12 601.24	1 032 847.13
	Of which: Cash Cheques	5 497.85	40 212.41	3 984.69	30 622.51
	Transfer Cheques	11 294.90	1 107 187.72	8 616.54	1 002 224.62
	Of which: Corporate Cheques	16 730.52	1 146 568.46	12 560.48	1 032 292.88
	Personal Cheques	62.24	831.68	40.75	554.25
	Total	18 991.62	1 338 101.86	14 941.43	1 237 834.99
Bankcards	Cash Deposits	708 501.86	528 832.47	543 567.23	413 036.70
	Cash Withdrawals	1 138 525.90	516 512.98	831 248.23	396 665.24
	Of which: ATM	964 284.63	215 188.59	661 447.79	157 053.34
	Consumption	15 879 218.26	1 171 499.56	17 760 516.61	1 166 592.61
	Transfers	14 472 608.27	6 647 099.25	15 407 229.49	6 903 727.58
	Total	32 198 854.28	8 863 944.27	34 542 561.57	8 880 022.13
Settlements	Credit Transfers	838 518.75	27 062 014.16	875 581.07	29 528 483.50
	Direct Debit	45 515.05	502 833.52	39 015.63	454 781.55
	Collection against Contract of Purchase	18.82	8 500.46	17.01	6 551.12
	Domestic Letters of Credit	6.86	19 480.70	7.09	22 395.21
	Total	884 059.47	27 592 828.84	914 620.80	30 012 211.38

Note: In 2015, statistics on the use of non-cash payment instruments were adjusted by including domestic letters of credit, credit transfers and direct debit. Remittance and exchange as well as consignment collection were removed from the statistics as they are covered by the newly-added items.

Statistics on Transactions via Payment Systems

10 thousand (volume), RMB100 million (value)

		2019	2020
High-Value Payment System	Volume	109 420.65	51 238.59
	Value	49 507 235.60	56 477 315.84
Bulk Electronic Payment System	Volume	262 747.64	345 847.09
	Value	605 762.37	1 468 749.46
Online Payment Interbank Clearing System	Volume	1 401 083.51	1 562 428.52
	Value	1 107 671.35	2 034 909.53
Intra-City Clearing System	Volume	28 222.42	7 024.12
	Value	818 879.01	85 366.42
Domestic Foreign Currency Payment System	Volume	220.26	266.45
	Value	85 351.07	102 710.32
Intra-Bank Payment System of Banking Financial Institutions	Volume	1 646 891.13	1 691 863.67
	Value	12 186 942.70	15 883 193.10
UnionPay Interbank Bankcard Payment System	Volume	13 517 472.61	15 056 000.29
	Value	1 736 037.62	1 921 845.97
City Commercial Banks Draft Processing System and Payment and Clearing System	Volume	477.20	755.90
	Value	7 320.89	11 004.03
Rural Credit Banks Payment and Clearing System	Volume	130 239.91	173 805.52
	Value	29 284.94	26 442.46
Cross-Border Interbank Payment System	Volume	188.43	220.49
	Value	339 255.39	452 719.17
NetsUnion Clearing System	Volume	39 754 200.00	54 316 848.16
	Value	2 598 422.78	3 488 636.29
Total	Volume	56 851 163.76	73 206 298.81
	Value	69 022 163.73	81 952 892.61

- Notes: 1. According to the PBC's work 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. The business between payment institutions and commercial banks, as well as business between third-party payment institutions and the City Commercial Banks Clearing or members of the Rural Credit Banks Funds Clearing Center are no longer included in transaction statistics of the intra-bank payment system, city commercial banks payment and clearing system, and rural credit banks payment and clearing system.
2. Starting from Q2 2018, the volume of transactions processed by the interbank bankcard payment system only includes funds clearing, while inquiries, account verification and other non-clearing transactions are excluded. Starting from Q1 2019, the volume of transactions processed by the interbank bankcard payment system includes online payments involving bank accounts initiated by payment institutions and processed by the interbank bankcard payment system.
3. Starting from 2017, City Commercial Banks Draft Processing System and Payment and Clearing System not only covers statistics on bank drafts, remittance and exchange, and deposits and withdrawals processed at any branch, but also real-time payments and receipts on behalf of clients.

Statistics on the Number of RMB Bank Settlement Accounts

10 thousand

	2016	2017	2018	2019	2020
Corporate Settlement Accounts	4 939.47	5 483.43	6 118.87	6 836.87	7 481.30
Of which: Basic Deposit Accounts	3 282.67	3 792.31	4 334.98	4 913.61	5 393.64
General Deposit Accounts	1 306.72	1 331.11	1 407.88	1 527.97	1 663.55
Special Deposit Accounts	330.01	340.96	357.45	377.22	405.57
Temporary Deposit Accounts	20.07	19.05	18.56	18.06	18.53
Personal Settlement Accounts	830 315.62	916 851.64	1 006 847.17	1 128 368.62	1 246 089.72
Total	835 255.09	922 335.06	1 012 966.04	1 135 205.49	1 253 571.02

Statistics on the Number of Bankcards

100 million

	2016	2017	2018	2019	2020
Debit Cards	56.60	61.05	69.11	76.73	81.77
Credit Cards (including combo cards with both debit and credit functions)	4.65	5.87	6.86	7.46	7.78
Total	61.25	66.93	75.97	84.19	89.54

◉ Interest Rates

RMB Interest Rates, 2020

	Jan. 1	Feb. 26	Apr. 10	Jul. 1	Dec. 31
Official Interest Rates on Deposits & Loans of Financial Institutions					
Required Reserves	1.62	1.62	1.62	1.62	1.62
Excess Reserves	0.72	0.72	0.35*	0.35	0.35
Rates on the Standing Lending Facility (SLF)					
Overnight	3.35	3.35	3.05	3.05	3.05
7-Day	3.50	3.50	3.20	3.20	3.20
1-Month	3.85	3.85	3.55	3.55	3.55
Central Bank Lending in Support of Agro-Related Businesses and MSBs					
3-Month	2.45	2.20	2.20	1.95	1.95
6-Month	2.65	2.40	2.40	2.15	2.15
1-Year	2.75	2.50	2.50	2.25	2.25
Central Bank Rediscount	2.25	2.25	2.25	2.00	2.00
Benchmark Rates on RMB Deposits at Financial Institutions					
Deposit Rates					
Demand Deposits	0.35	0.35	0.35	0.35	0.35
Time Deposits					
3-Month	1.10	1.10	1.10	1.10	1.10
6-Month	1.30	1.30	1.30	1.30	1.30
1-Year	1.50	1.50	1.50	1.50	1.50
2-Year	2.10	2.10	2.10	2.10	2.10
3-Year	2.75	2.75	2.75	2.75	2.75
Loan Prime Rate**					
1-Year	4.15	4.05	3.85	3.85	3.85
5-Year	4.80	4.75	4.65	4.65	4.65
Interbank Weighted Average Rates***					
Interbank Funding					1.30
Bond Pledged Repo					1.36

Note: * Adjusted on April 7, 2020.

** LPRs released on Jan. 20, Feb. 20, Apr. 20, Jul. 20 and Dec. 21, 2020.

***Weighted average rates for December 2020.

Interest Rates on Small-Value Foreign Currency Deposits (US Dollar)

%

	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-Month	0.625	0.875	1.750	2.250	2.750
6-Month	0.750	1.000	1.875	2.375	2.875
1-Year	0.875	1.125	2.000	2.500	3.000

Note: Data listed are benchmark interest rates released by the PBC on small-value foreign currency deposits. No adjustments since Dec. 28, 2005.

Shibor Monthly Rates, 2020

%

	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	1.92	2.51	2.57	2.76	2.88	2.93	2.98	3.02
February	1.64	2.29	2.20	2.47	2.60	2.70	2.76	2.83
March	1.31	2.01	1.86	2.04	2.15	2.29	2.40	2.49
April	1.01	1.74	1.38	1.42	1.51	1.61	1.71	1.80
May	1.25	1.72	1.39	1.32	1.40	1.50	1.60	1.71
June	1.74	2.03	1.92	1.85	1.88	1.94	2.05	2.14
July	1.82	2.14	2.10	2.14	2.33	2.43	2.52	2.59
August	1.96	2.20	2.26	2.32	2.61	2.78	2.83	2.88
September	1.68	2.20	2.43	2.56	2.68	2.91	2.96	2.99
October	2.04	2.22	2.42	2.65	2.83	2.97	3.05	3.09
November	1.85	2.26	2.57	2.68	3.03	3.09	3.18	3.22
December	1.06	2.09	2.36	2.71	2.93	3.01	3.09	3.14

Note: Data listed are monthly average rates.

① Financial Market Statistics

Money Market Statistics, 2020

	Q1	Q2	Q3	Q4
Turnover of Interbank Funding (RMB100 million)	323 651	460 799	379 536	307 438
Turnover of Interbank Repo (RMB100 million)	2 022 577	2 689 760	2 620 234	2 264 944
Quarter-End Shibor: Overnight (%)	1.61	1.79	2.36	1.09
Quarter-End Shibor: 1-Week (%)	2.15	2.23	2.33	2.38
Quarter-End Monthly Weighted Average Rate on Interbank Funding (%)	1.40	1.85	1.80	1.30
Quarter-End Monthly Weighted Average Rate on Pledged Repo (%)	1.44	1.89	1.93	1.36
Commercial Bills Accepted (RMB100 million)	60 561	57 060	48 786	55 838
Quarter-End Commercial Bills Outstanding (RMB100 million)	134 854	142 574	139 795	141 501
Financial Institutions Discount (RMB100 million)	43 566	34 996	24 729	30 854
Quarter-End Financial Institutions Discount Outstanding (RMB100 million)	36 060	37 203	35 655	36 852

Bond Market Statistics, 2020

	Q1	Q2	Q3	Q4
Total Bond Issuance (RMB100 million)	120 782	139 689	163 939	144 987
Government Bonds	23 455	36 747	44 456	30 635
Central Bank Bills	0	0	0	0
Financial Bonds	62 837	64 961	84 310	79 431
Of which: Interbank Negotiable Certificates of Deposit	40 628	37 647	54 392	57 054
Corporate Debenture Bonds	34 352	37 724	35 063	34 873
International Institutions Bonds	138	257	110	49
Quarter-End Outstanding Bonds (RMB100 million)	1 029 484	1 077 367	1 136 648	1 167 200
Government Bonds	393 053	415 223	444 586	460 911
Central Bank Bills	185	150	150	150
Financial Bonds	370 225	378 317	402 155	415 080
Of which: Interbank Negotiable Certificates of Deposit	105 370	102 289	111 674	111 537
Corporate Debenture Bonds	264 260	281 820	288 042	289 472
International Institutions Bonds	1 761	1 858	1 715	1 588
Quarter-End Chinabond Composite Index (% , net price)	104.3	103.1	101.5	101.8
Quarter-End Chinabond Yield (1-year, %)	1.69	2.18	2.65	2.47
Quarter-End Chinabond Yield (10-year, %)	2.59	2.82	3.15	3.14

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

Stock Market Statistics, 2020

	Q1	Q2	Q3	Q4
Total Funds Raised (RMB100 million)	1 403	1 936	4 887	3 342
Turnover (RMB100 million)	500 015	389 554	694 801	483 882
Quarter-End Volume of Stocks Issued (100 million shares)	62 625	63 852	64 598	65 456
Quarter-End Market Capitalization (RMB100 million)	562 854	648 774	721 687	797 238
Quarter-End Number of Listed Companies	3 826	3 893	4 056	4 154
Quarter-End Closing Index				
Shanghai Stock Exchange Composite Index (December 19, 1990=100)	2 750	2 985	3 218	3 473
Shenzhen Stock Exchange Component Index (July 20, 1994=1000)	9 962	11 992	12 907	14 471

Securities Investment Funds Statistics, 2020

	Q1	Q2	Q3	Q4
Number of Securities Investment Funds	6 382	6 748	7 113	7 490
Total Size (RMB100 million)	155 820	152 062	156 446	170 345
Net Funds Assets (RMB100 million)	166 478	169 223	178 040	198 913
Turnover (RMB100 million)	30 389	27 060	42 002	36 788

Futures Market Statistics, 2020

	Q1	Q2	Q3	Q4
Transaction Volume (10 thousand lots)	106 830	141 300	170 640	183 965
Turnover (RMB100 million)	771 687	882 311	1 372 528	1 346 480
Quarter-End Open Interest (10 thousand lots)	2 183	2 172	2 078	2 287
Delivery Volume (lots)	366 859	587 150	540 147	586 111

Insurance Market Statistics, 2020

	Q1	Q2	Q3	Q4
Premium Income (RMB100 million)	16 695	10 491	9 804	8 267
Property Insurance	2 962	3 246	3 015	2 706
Life Insurance	13 734	7 245	6 790	5 560
Claims and Benefit Payments (RMB100 million)	3 031	3 277	3 681	3 918
Property Insurance	1 261	1 723	1 903	2 068
Life Insurance	1 770	1 554	1 778	1 850
Quarter-End Assets, Total (RMB100 million)	217 193	219 792	224 386	232 984
Of which: Bank Deposits	28 621	28 152	25 796	25 973
Investments	165 634	173 099	181 266	190 828

Gold Market Statistics, 2020

	Q1	Q2	Q3	Q4
Turnover of Au99.99 (RMB100 million)	2 636	3 050	3 234	3 193
Turnover of Au (T+D) (RMB100 million)	22 694	19 847	24 176	9 558
Turnover of Ag (T+D) (RMB100 million)	26 938	34 679	95 001	49 367
Au99.99 Quarter-End Closing Price (yuan per gram)	364	398	403	390
Au (T+D) Quarter-End Closing Price (yuan per gram)	364	398	403	392
Ag (T+D) Quarter-End Closing Price (yuan per kilogram)	3 440	4 289	5 021	5 528

① RMB Exchange Rate and Balance of Payments

RMB Exchange Rate

Year	Currency	Year-End Rate (yuan per unit of other currency)	Change Over the Previous Year-End
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
2020	USD	6.5249	-4 513
	HKD	0.8416	-542
	JPY	6.3236	-850
	EUR	8.025	2 095

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

Official Reserve Assets, 2020

	Q1		Q2		Q3		Q4	
	US\$100 million	SDR100 million	US\$100 million	SDR100 million	US\$100 million	SDR100 million	US\$100 million	SDR100 million
Foreign Exchange Reserves	30 606.33	22 425.53	31 123.28	22 623.67	31 425.62	22 326.08	32 165.22	22 332.79
Reserve Position in the IMF	80.70	59.13	96.10	69.86	96.77	68.75	107.65	74.74
SDRs	110.19	80.74	109.54	79.63	111.67	79.34	114.95	79.81
Gold	1 007.90	738.50	1 107.60	805.12	1 182.02	839.76	1 182.46	821.00
	62.64 million ounces	62.64 million ounces	62.64 million ounces	62.64 million ounces	62.64 million ounces	62.64 million ounces	62.64 million ounces	62.64 million ounces
Other Reserve Assets	-2.38	-1.74	-3.26	-2.37	-3.99	-2.83	-4.99	-3.46
Total	31 802.74	23 302.16	32 433.25	23 575.91	32 812.08	23 311.10	33 565.29	23 304.88

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

China's Balance of Payments, 2020

US\$100 million

Item	Amount	Item	Amount
1. Current Account	2 740	1.A.b.8 Charges for the Use of Intellectual Property	-292
Credits	30 117	Credits	86
Debits	-27 377	Debits	-378
1.A Goods and Services	3 697	1.A.b.9 Telecommunications, Computer, and Information Services	59
Credits	27 324	Credits	389
Debits	-23 627	Debits	-330
1.A.a Goods	5 150	1.A.b.10 Other Business Services	198
Credits	24 972	Credits	702
Debits	-19 822	Debits	-504
1.A.b Services	-1 453	1.A.b.11 Personal, Cultural, and Recreational Services	-20
Credits	2 352	Credits	10
Debits	-3 805	Debits	-30
1.A.b.1 Manufacturing Services	127	1.A.b.12 Government Goods and Services n.i.e	-11
Credits	132	Credits	25
Debits	-5	Debits	-36
1.A.b.2 Maintenance and Repair Services	43	1.B Primary Income	-1 052
Credits	77	Credits	2 417
Debits	-34	Debits	-3 469
1.A.b.3 Transport	-381	1.B.1 Compensation of Employees	4
Credits	566	Credits	147
Debits	-947	Debits	-144
1.A.b.4 Travel	-1 163	1.B.2 Investment Income	-1 071
Credits	142	Credits	2 244
Debits	-1 305	Debits	-3 315
1.A.b.5 Construction	46	1.B.3 Other Primary Income	16
Credits	126	Credits	26
Debits	-81	Debits	-10
1.A.b.6 Insurance and Pension Services	-70	1.C Secondary Income	95
Credits	54	Credits	376
Debits	-123	Debits	-281
1.A.b.7 Financial Services	10	1.C.1 Personal Transfer	4
Credits	43	Credits	42
Debits	-33	Debits	-38

Continued

Item	Amount	Item	Amount
1.C.2 Other Secondary Income	91	2.2.1.2 Portfolio Investment	873
Credits	334	2.2.1.2.1 Assets	-1 673
Debits	-244	2.2.1.2.1.1 Equity and Investment Fund Shares	-1 310
2. Capital and Financial Account	-1 058	2.2.1.2.1.2 Debt Securities	-363
2.1 Capital Account	-1	2.2.1.2.2 Liabilities	2 547
Credits	2	2.2.1.2.2.1 Equity and Investment Fund Shares	641
Debits	-2	2.2.1.2.2.2 Debt Securities	1 905
2.2 Financial Account	-1 058	2.2.1.3 Financial Derivatives (other than reserves) and Employee Stock Options	-114
Assets	-6 263	2.2.1.3.1 Assets	-69
Liabilities	5 206	2.2.1.3.2 Liabilities	-45
2.2.1 Financial Account Excluding Reserve	-778	2.2.1.4 Other Investment	-2 562
Assets	-5 983	2.2.1.4.1 Assets	-3 142
Liabilities	5 206	2.2.1.4.1.1 Other Equity	-5
2.2.1.1 Direct Investment	1 026	2.2.1.4.1.2 Currency and Deposits	-1 304
2.2.1.1.1 Assets	-1 099	2.2.1.4.1.3 Loans	-1 282
2.2.1.1.1.1 Equity and Investment Fund Shares	-836	2.2.1.4.1.4 Insurance, Pensions, and Standardized Guarantee Schemes	-33
2.2.1.1.1.2 Debt Instruments	-263	2.2.1.4.1.5 Trade Credit and Advances	-369
2.2.1.1.1.1.a Financial Sector	-200	2.2.1.4.1.6 Other Accounts Receivable	-149
2.2.1.1.1.1.a Equity and Investment Fund Shares	-215	2.2.1.4.2 Liabilities	579
2.2.1.1.1.2.a Debt Instruments	14	2.2.1.4.2.1 Other Equity	0
2.2.1.1.1.1.b Non-Financial Sector	-899	2.2.1.4.2.2 Currency and Deposits	774
2.2.1.1.1.1.b Equity and Investment Fund Shares	-622	2.2.1.4.2.3 Loans	-354
2.2.1.1.1.2.b Debt Instruments	-277	2.2.1.4.2.4 Insurance, Pensions, and Standardized Guarantee Schemes	33
2.2.1.1.2 Liabilities	2 125	2.2.1.4.2.5 Trade Credit and Advances	76
2.2.1.1.2.1 Equity and Investment Fund Shares	1 700	2.2.1.4.2.6 Other Accounts Payable	51
2.2.1.1.2.2 Debt Instruments	425	2.2.1.4.2.7 Special Drawing Rights	0
2.2.1.1.2.1.a Financial Sector	200	2.2.2 Reserve Assets	-280
2.2.1.1.2.1.a Equity and Investment Fund Shares	123	2.2.2.1 Monetary Gold	0
2.2.1.1.2.2.a Debt Instruments	76	2.2.2.2 Special Drawing Rights	1
2.2.1.1.2.1.b Non-Financial Sector	1 925	2.2.2.3 Reserve Position in the IMF	-19
2.2.1.1.2.1.b Equity and Investment Fund Shares	1 577	2.2.2.4 Foreign Exchange Reserves	-262
2.2.1.1.2.2.b Debt Instruments	348	2.2.2.5 Other Reserve Assets	0
		3. Net Errors and Omissions	-1 681

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

2. Credits and debits are recorded as positive and negative values respectively. Balance is calculated by adding credits and debits. All other entries are recorded as balance except credits and debits.

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, 2020, By Sector

US\$100 million

Item	Amount	Item	Amount
General Government	3 795	Currency and Deposits	5 051
Short-Term	109	Debt Securities	628
Currency and Deposits	0	Loans	2 024
Debt Securities	109	Trade Credit and Advances	0
Loans	0	Other Debt Liabilities	59
Trade Credit and Advances	0	Long-Term	3 156
Other Debt Liabilities	0	Currency and Deposits	0
Long-Term	3 686	Debt Securities	2 355
SDR Allocation	0	Loans	789
Currency and Deposits	0	Trade Credit and Advances	0
Debt Securities	3 137	Other Debt Liabilities	12
Loans	549	Other Sectors	6 081
Trade Credit and Advances	0	Short-Term	4 228
Other Debt Liabilities	0	Currency and Deposits	1
Central Bank	381	Debt Securities	16
Short-Term	263	Loans	388
Currency and Deposits	125	Trade Credit and Advances	3 654
Debt Securities	138	Other Debt Liabilities	169
Loans	0	Long-Term	1 853
Trade Credit and Advances	0	Currency and Deposits	0
Other Debt Liabilities	0	Debt Securities	884
Long-Term	118	Loans	653
SDR Allocation	101	Trade Credit and Advances	65
Currency and Deposits	0	Other Debt Liabilities	251
Debt Securities	0	Direct Investment: between Enterprises	2 833
Loans	0	Liabilities of Direct Investment Enterprises to Direct Investment Investors	1 754
Trade Credit and Advances	0	Liabilities of Direct Investment Investors to Direct Investment Enterprises	137
Other Debt Liabilities	17	Liabilities to Affiliated Enterprises	942
Other Depository Corporations	10 918	Total External Debt Positions	24 008
Short-Term	7 762		

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				Total RMB Settlements of Cross-Border Trade
	Total	Trade in Goods	Trade in Services and Others	Total	Overseas Direct Investment	Foreign Direct Investment	Others	
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
2020	67 674	47 850	19 824	216 200	10 534	27 613	178 053	283 874
Total	507 070	407 502	99 567	687 141	52 463	126 272	508 407	1 194 211

RMB Financial Assets Held by Overseas Institutions and Persons

RMB100 million

	Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	Jun. 2020
Stocks	21 086.95	20 957.93	18 873.78	21 268.21	21 848.19	24 567.60
Bonds	22 623.31	23 399.43	23 198.96	23 724.42	24 885.57	25 724.23
Loans	8 426.50	8 542.45	8 871.71	9 244.20	9 343.17	9 720.51
Deposits	11 449.14	11 070.68	12 850.46	12 107.98	11 722.49	11 824.48

	Jul. 2020	Aug. 2020	Sept. 2020	Oct. 2020	Nov. 2020	Dec. 2020
Stocks	28 192.00	29 121.80	27 509.07	28 527.08	30 375.26	34 065.56
Bonds	27 407.49	28 718.34	30 159.16	30 728.79	31 719.43	33 350.78
Loans	9 777.73	9 652.05	9 830.83	9 974.08	9 829.42	9 630.19
Deposits	12 043.20	12 040.87	11 934.31	11 836.07	12 610.70	12 803.33

① Flow of Funds Statement, 2019 (Financial Account)

	Households		Non-Financial Corporations		General Government		Financial Sector	
	Application	Sources	Application	Sources	Application	Sources	Application	Sources
Net Financial Investment	86 856		-55 099		-54 651		35 147	
Total Application of Funds	167 908		39 036		9 649		228 475	
Total Sources of Funds		81 051		94 134		64 300		193 328
Currency	3 537		358		80			3 981
Deposits	102 916		33 079		8 456		-2 204	139 960
Demand Deposits	27 561		6 705		-1 665			32 601
Time Deposits	71 129		26 236		11 404			108 770
Fiscal Deposits					301			301
Foreign Exchange Deposits	-256		4 693		754		-103	2 077
Other Deposits	4 482		-4 556		-2 338		-2 102	-3 789
Customer Margin of Securities Companies	1 550		2 231		243		873	5 191
Loans		79 539		67 631		7 356	157 962	2 331
Short-Term Loans and Bill Financing		20 684		31 743			52 427	
Medium and Long-Term Loans		54 516		51 762			106 278	
Foreign Exchange Loans		-9		-1 587		44	-548	-82
Entrusted Loans		4 530		-12 618		-1 524	-9 633	-39
Other Loans		-182		-1 670		8 836	9 438	2 453
Undiscounted Bankers' Acceptances			-4 757	-4 757			-4 757	-4 757
Insurance Technical Reserves	22 095		1 448			7 549		15 994
Inter-Financial Institution Accounts							-8 430	-11 058
Required and Excess Reserves							-8 547	-8 838
Bonds	293		662	28 384	-103	47 205	117 247	42 387
Government Bonds	30		-5		19	47 205	46 610	
Financial Bonds	26		52		-71		41 869	42 167
Central Bank Bonds							276	220
Corporate Bonds	237		615	28 384	-51		28 492	
Stocks	2 113		5 292	6 046	332		964	3 729
Securities Investment Funds Shares	2 380		3 426		374		1 341	7 971
Cash in Vault							-276	-267
Central Bank Loans							-4 930	-4 930
Miscellaneous (net)	33 023	1 512	-6 899	3 655	267	254	-20 629	341
Direct Investment			6 740	10 749				
Other External Claims and Debts			-2 545	-1 488		1 936	1 192	1 291
International Reserve Assets							-1 331	
Errors and Omissions in the BOP				-16 086				

RMB100 million

Total of Domestic Sectors		External		Total		
Application	Sources	Application	Sources	Application	Sources	
12 254		-12 254		0		Net Financial Investment
445 067		1 558		446 625		Total Application of Funds
	432 813		13 812		446 625	Total Sources of Funds
3 975	3 981	6		3 981	3 981	Currency
142 246	139 960	3 166	5 452	145 412	145 412	Deposits
32 601	32 601			32 601	32 601	Demand Deposits
108 770	108 770			108 770	108 770	Time Deposits
301	301			301	301	Fiscal Deposits
5 088	2 077	2 441	5 452	7 528	7 528	Foreign Exchange Deposits
-4 514	-3 789	725		-3 789	-3 789	Other Deposits
4 898	5 191	293		5 191	5 191	Customer Margin of Securities Companies
157 962	156 858	-402	702	157 560	157 560	Loans
52 427	52 427			52 427	52 427	Short-Term Loans & Bill Financing
106 278	106 278			106 278	106 278	Medium and Long-Term Loans
-548	-1 634	-402	685	-949	-949	Foreign Exchange Loans
-9 633	-9 651		18	-9 633	-9 633	Entrusted Loans
9 438	9 438			9 438	9 438	Other Loans
-9 513	-9 513			-9 513	-9 513	Undiscounted Bankers' Acceptances
23 543	23 543			23 543	23 543	Insurance Technical Reserves
-8 430	-11 058	-4 386	-1 758	-12 816	-12 816	Inter-Financial Institution Accounts
-8 547	-8 838	-290		-8 838	-8 838	Required and Excess Reserves
118 100	117 976	3 221	3 345	121 321	121 321	Bonds
46 655	47 205	1 521	971	48 176	48 176	Government Bonds
41 876	42 167	1 295	1 005	43 172	43 172	Financial Bonds
276	220		56	276	276	Central Bank Bonds
29 293	28 384	405	1 314	29 698	29 698	Corporate Bonds
8 701	9 776	3 098	2 023	11 799	11 799	Stocks
7 521	7 971	450		7 971	7 971	Securities Investment Funds Shares
-276	-267		-9	-276	-276	Cash in Vault
-4 930	-4 930			-4 930	-4 930	Central Bank Loans
5 762	5 762			5 762	5 762	Miscellaneous (net)
6 740	10 749	10 749	6 740	17 489	17 489	Direct Investment
-1 353	1 739	1 739	-1 353	386	386	Other External Claims and Debts
-1 331			-1 331	-1 331	-1 331	International Reserve Assets
	-16 086	-16 086		-16 086	-16 086	Errors and Omissions in the BOP

NOTES ON SECTORS AND ITEMS IN THE FLOW OF FUNDS STATEMENT

Flow of Funds Statement (Financial Account)¹: Presented in matrix format, financial account encompasses financial transactions among domestic sectors and those between domestic sectors and the rest of the world. In the account, domestic sectors are grouped under five sectors: households, non-financial corporations, general government, financial sector and external sector, and all financial transactions taking place among these five sectors are broken down by financial instruments. The sectors and financial transactions are listed on the rows and columns of the matrix respectively. The double-entry flow of funds accounting is based on an accrual basis. In principle, all financial transaction flows are recorded according to the transaction prices. The terms of sources and application are employed to reflect changes in the financial assets and 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 a small number of 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.

General Government: Includes 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 Sector: Includes financial corporations and quasi-corporations that are mainly engaged in financial intermediation or auxiliary financial activities. This sector provides banking, insurance, securities, and other financial services.

External Sector: All non-resident institutions that have financial transactions with domestic sectors.

Total Application of Funds: The total amount in the application column of each sector.

Total Sources of Funds: The total amount in the sources column of each sector.

Net Financial Investment: The differences between total application of funds and total sources of funds.

Currency²: 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 are subject to a fixed term and a predetermined rate, and can be withdrawn on due date.

Fiscal Deposits: Deposits of the government in banking institutions.

Foreign Exchange Deposits: Foreign currency deposits of domestic institutions deposited abroad and with domestic financial institutions, and foreign currency deposits of the external sector deposited with domestic financial institutions.

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

Loans: All kinds of loans provided by financial institutions, including short-term loans, bill financing, medium and long-term loans, foreign exchange loans, entrusted loans, and others.

Short-Term Loans and Bill Financing: Provided by financial institutions, short-term loans mature in less than one year or one year, and bill financing is financing by discounting commercial acceptance bills, bankers' acceptance bills, and other bills held by clients.

¹ At present, data of some financial transactions are not available yet, such as equity, commercial credit, and certain accounts receivable and accounts payable.

² Data are not available yet on the volumes of RMB in circulation abroad and of foreign currency in circulation in China.

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 from domestic financial institutions to other sectors, and loans to domestic sectors from abroad.

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

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

Undiscounted Bankers' Acceptances: Bankers' acceptance bills that have not been discounted in banks, which equals all the bankers' acceptance bills minus their discounted parts.

Insurance Technical 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 Excess 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 and corporate bonds.

Government Bonds: Securities issued by 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.

Stocks³: Issued by joint-stock companies in line with the Corporate Law to raise capital. They are proofs of shareholders' identity as well as rights and interests, and entitle holders to dividends and bonuses.

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 currency-denominated cash reserved for business by banks.

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

Direct Investment: Foreign direct investment in China and outward direct investment by domestic residents.

Other External Claims and Debts: Claims and debts that are not included in reserve assets, foreign exchange deposits and loans, and bonds.

International Reserve Assets: Refer to external assets held by China's central bank, including foreign exchange, monetary gold, special drawing rights, and reserve position in the IMF.

Errors and Omissions in the Balance of Payments⁴: 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.

³ Currently only includes the amount of funds financed through shares tradable on the stock exchange.

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 Account of the Flow of Funds Statement.

ANALYSIS OF CHINA'S FLOW OF FUNDS IN 2019

The total scale of the flow of funds in the whole society increased significantly, while the financing structure of domestic real economy was further optimized

In 2019, despite the continued slowdown of the global economic growth, rising external uncertainties and considerable downward pressure on the domestic economy, the total scale of the flow of funds witnessed a remarkable increase, and the financial sector significantly strengthened

Figure 1. Total Scale and Growth of the Flow of Funds in China

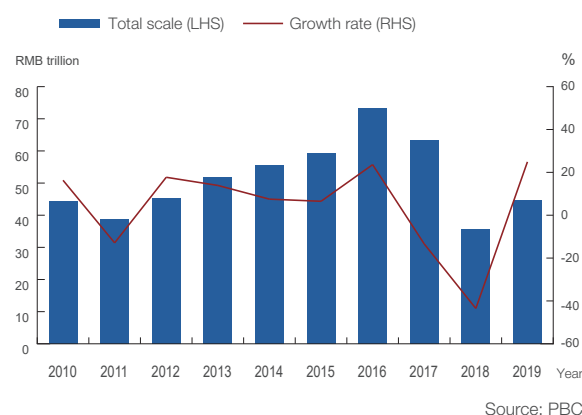
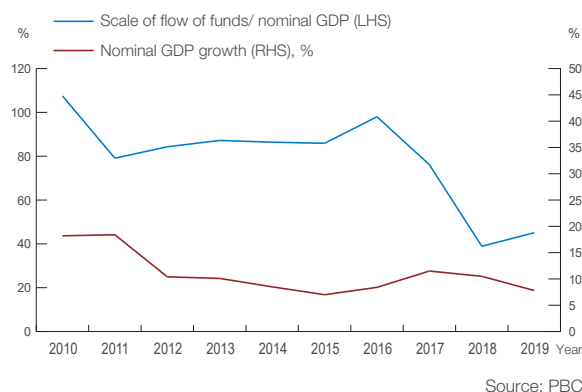


Figure 2. Ratio of Total Scale of the Flow of Funds to GDP



its efforts to serve the real economy. In 2019, the total scale^① of the flow of funds in China registered RMB44.7 trillion, RMB8.9 trillion or 24.9 percent more than that in the previous year, which is 68.4 percentage points higher than the growth in the previous year (compared with a decline of 43.5 percent in 2018). The flow of funds in the real economy was equivalent to 45.1 percent of nominal GDP, 6.2 percentage points higher than that in the previous year (Figure 2).

In non-financial sectors, new financial assets and liabilities as well as equity financing (hereinafter referred to as “financing”) of non-financial corporations experienced a remarkable increase with financing structure improving.

On the side of assets, new financial assets of non-financial sectors amounted to RMB21.7 trillion in 2019, which was RMB6.6 trillion, or 43.7 percent more than that during the previous year. Specifically, new financial assets of non-financial corporations amounted to RMB3.9 trillion, jumping by RMB4.3 trillion compared with a drop of RMB416.3 billion in the previous year and accounting for 18 percent of total new financial assets of non-financial sectors, 20.8 percentage points higher than that in the previous year. New financial assets of households and government sectors accounted for 77.5 percent and 4.5 percent of total new financial assets respectively, 12.5 and 8.3 percentage points lower than a year earlier.

On the side of liabilities, new financing of non-financial sectors was RMB24 trillion, up RMB1.8 trillion or 8 percent year on year. In particular, new financing of non-financial corporations accounted for 39.3 percent of total new

① Total scale of flow of funds refers to the aggregate application of funds (or sources of funds) in households, non-financial corporations, general government, financial, and external sectors.

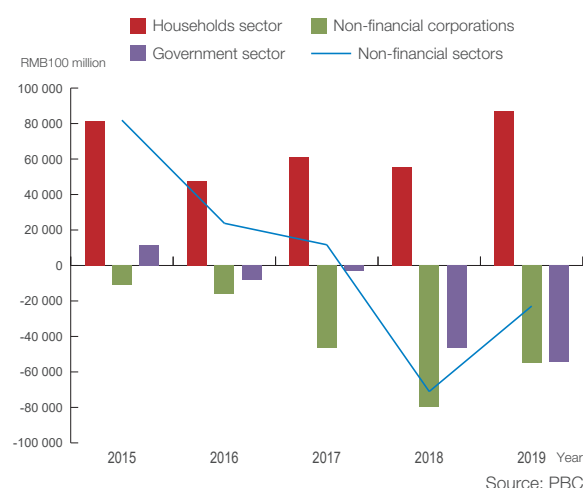
financing, 5.2 percentage points higher than a year earlier. New financing of households and government sectors accounted for 33.8 percent and 26.8 percent respectively, 2.4 and 2.8 percentage points lower than a year earlier. In 2019, new financing of non-financial sectors was equivalent to 24.2 percent of nominal GDP, which was basically the same as the previous year. Specifically, the ratio of new financing of non-financial corporations to nominal GDP was 1.3 percentage points higher than that in 2018, whereas that for households and government sectors decreased by 0.6 and 0.7 percentage points respectively.

The savings-investment gap of domestic non-financial sectors narrowed remarkably

In 2019, the savings-investment gap of domestic non-financial sectors recorded RMB2.3 trillion, narrowing by RMB4.8 trillion from that of the previous year (which posted RMB7.1 trillion). Specifically, the savings-investment surplus of households sector expanded by RMB3.2 trillion. The savings-investment gap of non-financial corporations contracted by RMB2.5 trillion as firms became less willing to invest, while that of government sector widened by RMB813.5 billion from the previous year (Figure 3).

The share of currency and deposits increased in the households sector while personal mortgage loans still

Figure 3. Changes in the Savings-Investment Gap of Non-Financial Sectors



dominated liabilities but with dampened growth. In 2019, new financial assets of households sector registered RMB16.8 trillion, an increase of RMB3.2 trillion or 23.7 percent over the previous year. In particular, new deposits hit RMB10.3 trillion, an increase of RMB2.6 trillion and accounting for 61.3 percent of total new assets, while the growth of bonds, stocks and insurance assets declined by RMB75.4 billion, 88.4 billion and 6 billion from that in 2018 respectively (Figure 4).

Under the central government's policies focusing on "houses are for living in and not for speculation", growth of personal mortgage loans fell, resulting in a sluggish growth of liabilities in the households sector. New financing of households amounted to RMB8.1 trillion, RMB69.8 billion or 0.9 percent more than that in the previous year. The growth rate dropped 0.2 percentage points from the previous year. Specifically, personal

Figure 4. Breakdown of New Financial Assets of Households Sector

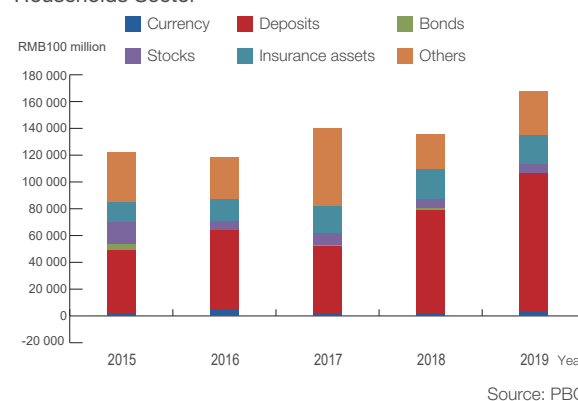
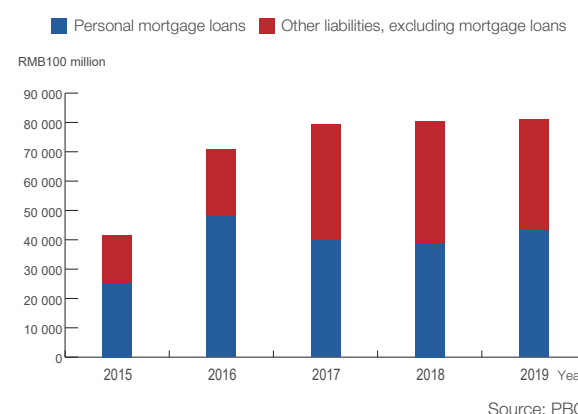


Figure 5. Breakdown of New Liabilities of Households Sector



mortgage loans increased RMB4.3 trillion, RMB411.8 billion more than that in the previous year and accounting for 53.1 percent of the new financing of households sector, 4.7 percentage points higher than that in the previous year. Outstanding personal mortgage loans increased 16.7 percent, a deceleration of 1.1 percentage points from the prior year (Figure 5).

Deposits constituted the bulk of new financial assets of non-financial corporations, whereas loans and bond financing witnessed a rapid growth. The new financial assets of non-financial corporations stood at RMB3.9 trillion in 2019. Among it, RMB3.3 trillion or 84.7 percent was new deposits, up by RMB2.1 trillion year on year. Trust equities decreased by RMB1.2 trillion, RMB1.9 trillion less than the fall in the previous year.

New financing of non-financial corporations mainly consisted of loans and bonds. In 2019, new financing amounted to RMB9.4 trillion, RMB1.8 trillion or 24.3 percent more than that of the prior year. In particular, loans and bond financing grew by RMB6.8 trillion and RMB2.8 trillion respectively, an increase of RMB1.8 trillion and RMB1 trillion compared with the growth a year earlier. Loans and bond financing represented 71.8 percent and 30.2 percent of total new financing respectively, up 6.9 and 6 percentage points year on year. Equity financing grew by RMB604.6 billion, RMB71.2 billion less than the growth in the previous year.

Growth of new financial assets of government sector moderated. Social security funds and bond financing increased by a smaller margin. In 2019, new financial assets of government sector registered RMB964.9 billion, RMB949.8 billion less than that of the previous year. In particular, fiscal deposits increased by RMB30.1 billion, up RMB89.8 billion in contrast to the drop of RMB59.6 billion in the previous year. New deposits excluding fiscal deposits stood at RMB815.5 billion, down RMB861 billion or 51.4 percent from a year earlier (Figure 6).

New financing of government sector stood at RMB6.4 trillion, a decrease of RMB136.3 billion or 2.1 percent from 2018. Particularly, bond financing grew by RMB4.7 trillion, RMB132.7 billion less than the growth in the previous year, while social security funds increased by RMB754.9 billion, a deceleration of RMB456.8 billion or 37.7 percent (Figure 7). The government vigorously reduced taxes and fees, and lowered the social insurance contribution ratio to further reduce burdens on enterprises. In 2019, taxes and social insurance contributions by enterprises were reduced by nearly RMB2 trillion.

Figure 6. Breakdown of Major New Financial Assets of Government Sector

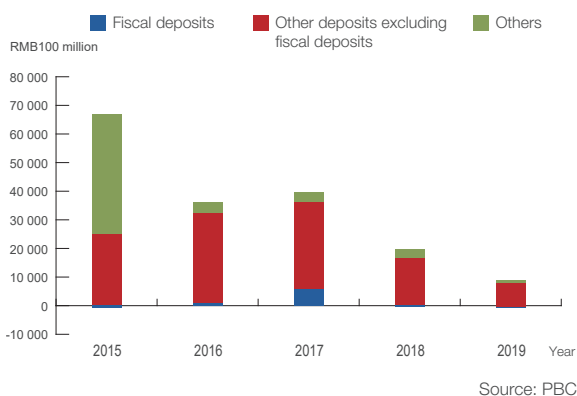
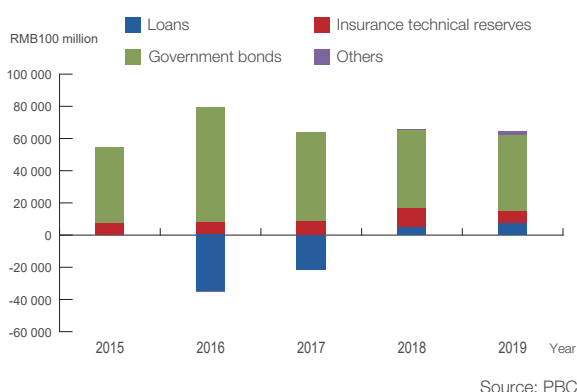


Figure 7. Breakdown of Major New Liabilities of Government Sector



Financial sector beefed up support to the real economy

In 2019, the PBC continued to implement a sound monetary policy, gave full play to instruments including central bank

lending, rediscount and macro-prudential assessment, enhanced countercyclical adjustments, and constantly optimized credit structure, making overall liquidity adequate. New financial assets and financing of financial sector both increased substantially, in particular the growth of new financing, which accounted for a significantly higher share of the GDP. In 2019, new financial assets registered RMB22.8 trillion, climbing by RMB4.3 trillion or 23.1 percent, up 71 percentage points from 2018. New financing reached RMB19.3 trillion, surging by RMB8.2 trillion or 73.6 percent year on year, 142.4 percentage points higher than the growth in the previous year. New financing accounted for 19.5 percent of the GDP, up by 7.4 percentage points.

Breakdown by instruments showed assets mainly comprised loans and bonds. Loans accounted for 69.1 percent of total new financial assets of financial sector, up by 1.6 percentage points from the previous year. In particular, new medium and long-term loans amounted to RMB10.6 trillion, accounting for 67.3 percent of total new loans. The entrusted loans and trust loans decreased by RMB692.1 billion and RMB375.2 billion less than the drop in 2018, while wealth management loans jumped by RMB316.7 billion, up by RMB1.3 trillion compared with a fall of RMB1 trillion in 2018. New bonds reached RMB11.7 trillion, up RMB1 trillion compared with 2018 and an increase of 9.8 percent. New bonds represented 51.3 percent of total new financial assets, 6.2 percentage points lower than that in the previous year.

Financing instruments were dominated by deposits, bonds and wealth management products. Specifically, new deposits registered RMB14 trillion, RMB3.5 trillion more than that in 2018 and accounting for 72.4 percent of total new financing; new financial bonds amounted to RMB4.2 trillion, taking up 21.8 percent of the total; and new funds from wealth management on behalf of clients stood at

RMB2.2 trillion, up RMB2.4 trillion compared to a drop of RMB200.7 billion in the previous year and accounting for 11.6 percent of the total. Reserves decreased by RMB883.8 billion, RMB77.2 billion less than the fall in 2018. The PBC cut reserve requirement ratio three times in the year, releasing RMB2.7 trillion of long-term funds for the real economy.

The growth in China's net external financial assets accelerated and the funding gap in the external sector widened markedly

Due to the slowdown of global economic growth, international trade disputes and other factors, China's external flow of funds registered a year-on-year decline. In 2019, new foreign financial assets held by China (China's funds used by the rest of the world) reached RMB1.4 trillion, RMB1.1 trillion less or 43.9 percent lower than the previous year. In particular, international reserve assets declined by RMB133.1 billion, down RMB258.1 billion compared to an increase of RMB125 billion in the previous year. China's external financing (foreign funds used by China) climbed by RMB155.8 billion, RMB2 trillion less than the new external financing in 2018. In particular, actually utilized foreign direct investment posted RMB1.1 trillion, down RMB271.7 billion year on year.

China's net external financial assets increased by RMB1.2 trillion, RMB904.3 billion more than the increase in 2018. The funding gap in the external sector was 1.2 percent, widening by 0.9 percentage points. The obvious increase in the net outflow of China's external funds and the widening funding gap in the external sector generally corresponded to the surplus in domestic current account^②. In 2019, China's current account ran a surplus of US\$141.3 billion, representing an increase of 454 percent from the previous year.

^② According to $S-I=CAB=NFI$, the equilibrium relationship of the three factors, i.e., domestic savings and investment flow, external trade flow and external flow of funds, the gap between domestic savings and investment equals the current account balance, and equals net external financial investment.

APPENDIXES

Chronology

January

2~3 Jan.

The 2020 Work Conference of the PBC was held in Beijing. Under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the conference studied and implemented the guidelines of the Fourth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, took stock of main work in 2019, analyzed economic and financial developments, and made arrangements for key tasks in 2020.

6 Jan.

To further support the real economy and lower real financing costs, the PBC decided to cut the required reserve ratio for financial institutions by 0.5 percentage points (excluding finance companies, financial leasing companies and auto finance companies).

The PBC signed a bilateral local currency cooperation agreement with the Bank of the Lao P.D.R., allowing the use of local currency to settle transactions under all liberalized current and capital accounts in both countries.

13 Jan.

The Office of the FSDC issued the *Opinions of the Office of Financial Stability and Development Committee under the State Council on Establishing Local Coordination Mechanisms*, which proposes the establishment of local coordination mechanisms under the Office of the FSDC in all provinces (autonomous regions and municipalities). This came as a move to strengthen cooperation between central and local authorities on financial regulation, risk resolution, information sharing and protection of consumers' rights and interests.

15 Jan.

The stocktaking meeting of the PBC for the education campaign themed Staying True to the Party's Founding Mission was held in Beijing. The attendees fully studied the important speech delivered by General Secretary Xi Jinping at the stocktaking meeting for the education campaign themed Staying True to the Party's Founding Mission, took stock of the PBC's efforts in carrying out the themed education campaign across the central bank system, and consolidated and scaled up the achievements therefrom, to deepen the PBC-wide party-building. The meeting was attended and addressed by Song Xiuyan, head of the 11th Central Circuit Supervision Group, and Guo Shuqing, Secretary of the CPC PBC Committee and head of its leading group for the education campaign.

19 Jan.

The PBC's Credit Reference Center launched the second-generation Credit Reporting System, which brought better credit information service experience to financial institutions and the public.

20 Jan.

Governor Yi Gang, who was also leader of the Law-Based Administration Leadership Group, chaired the first meeting of the PBC Leadership Group on Law-Based Administration. The meeting reviewed and adopted the list of members of the PBC leadership group and its 2020 work plan for law enforcement inspection.

Guo Shuqing, Secretary of the CPC PBC Committee, inspected the NetsUnion Clearing Co., Ltd. and had an informal meeting with its staff.

February

1 Feb.

In order to further strengthen financial support for COVID-19 containment, the PBC, MOF, CBIRC, CSRC and SAFE jointly published the *Notice on Further Strengthening Financial Support for Containing the COVID-19*.

3 Feb.

To maintain reasonable and adequate liquidity in the banking system and sound operation of the money market amid COVID-19 prevention and control, the PBC conducted repo operations in the amount of RMB1.2 trillion to ensure ample liquidity supply. The liquidity in the whole banking system was RMB900 billion more than that in the same period of 2019.

10 Feb.

The PBC and the Central Bank of Egypt renewed the bilateral local currency swap agreement in the amount of RMB18 billion, or EGP41 billion.

14 Feb.

In order to further advance the development of Shanghai as an international financial center, and step up financial support for the building of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone, the PBC, CBIRC, CSRC, SAFE and Shanghai Municipal People's Government jointly released the *Opinions on Further Accelerating the Development of Shanghai as an International Financial Center and Providing Financial Support for the Integrated Development of the Yangtze River Delta*.

24 Feb.

Governor Yi Gang chaired the governor's meeting to study and implement the guidelines of the important speech delivered by General Secretary Xi Jinping at the deployment conference on coordinating and promoting COVID-19 containment and economic and social development, and to make further arrangements within the PBC system on COVID-19 containment as well as financial support for economic and social development.

26 Feb.

In order to strengthen the development of financial infrastructures, coordinate the regulation of important financial infrastructures and enable the financial sector to better serve the real economy as well as forestall and defuse financial risks, the PBC, NDRC, MOF, CBIRC, CSRC and SAFE jointly released the *Work Plan for Coordinated Regulation of Financial Infrastructures*.

March

3 Mar.

The PBC, jointly with the MOF and CBIRC, held a symposium and video teleconference on financial support for COVID-19 containment and economic and social development. The conference fully implemented the guidelines of the speech delivered by General Secretary Xi Jinping at the deployment conference on coordinating and promoting COVID-19 containment and economic and social development on February 23. It implemented the work arrangements made at the State Council Executive Meeting on February 25, took stock of the progress in financial support for COVID-19 prevention and control as well as business and production resumption, and put forward requirements on financial support for COVID-19 containment and economic growth in the next stage. Governor Yi Gang attended and addressed the meeting.

16 Mar.

The PBC implemented a targeted RRR cut for inclusive finance, lowering the RRR for banks that meet assessment criteria by 0.5 to 1 percentage point. Eligible joint-stock commercial banks can enjoy an additional targeted RRR cut of 1 percentage point to support inclusive loans. The targeted cut released RMB550 billion of long-term funds.

April

7 Apr.

The PBC lowered the interest rate on excess reserves deposited in the central bank by financial institutions from 0.72 percent to 0.35 percent.

15 Apr.

The PBC announced a targeted RRR cut of 1 percentage point for small and medium-sized banks, which was implemented on April 15 and May 15, each with a cut of 0.5 percentage points. The cuts released about RMB400 billion of long-term funds.

- 27 Apr. The PBC, CBIRC, CSRC and SAFE jointly released the *Opinions on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area*.
- 30 Apr. The takeover team of Baoshang Bank applied to the PBC, CBIRC and other relevant regulatory authorities for approval of transferring relevant businesses, assets and liabilities of Baoshang Bank to Mengshang Bank and Huishang Bank respectively.
- May
- 7 May The PBC and SAFE issued the *Provisions on Managing the Funds Invested by Foreign Institutional Investors in Domestic Securities and Futures*, to clarify and simplify administrative requirements for funds invested by foreign institutional investors in domestic securities and futures, aiming to better facilitate foreign investors' participation in China's financial market.
- 14 May The Fitch (China) Bohua Credit Ratings Co., Ltd., a wholly-owned subsidiary of the US-based Fitch Ratings, completed filing and became the second foreign-funded credit rating agency in China.
- 15 May The PBC held 2020 televised conference on full and strict Party governance and discipline inspection. The meeting focused on thoroughly studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, carrying out the guidelines of the Fourth Plenary Session of the 19th Central Commission for Discipline Inspection, taking stock of the work of enforcing full and strict Party governance by the PBC, analyzing the current situations and making work arrangements for the next stage. Secretary of the CPC PBC Committee Guo Shuqing delivered a speech and Governor Yi Gang of the PBC chaired the meeting.
- 16 May The article titled "Well Leveraging Financial Support Policies to Bolster COVID-19 Containment and Economic and Social Development" by Governor Yi Gang of the PBC was published in the *Qiushi* Journal (Issue 10, 2020).
- 20 May The PBC signed a bilateral local currency swap agreement with the Bank of the Lao P.D.R.. The size of the swap facility was RMB6 billion, or LAK7.6 trillion.
- 24 May The PBC and CBIRC released the *Announcement on Extending Baoshang Bank Takeover*. Since the takeover of Baoshang Bank on May 24, 2019, the takeover team of Baoshang Bank has secured steady progress in the bank's asset and capital verification, and its reform and restructuring. However, as disrupted by COVID-19, the subsequent law-based disposal of Baoshang Bank needed to be postponed as appropriate. The original timeline for completing the takeover was extended by six months to November 23, 2020 from May 24, 2020.
- 26 May Governor Yi Gang had an interview with *Financial News* and *China Finance* on providing financial support to protect market players and other issues during the Two Sessions.
- 27 May In line with the overall arrangements of the FSDC under the State Council and the principle of "launching a reform measure when conditions are ripe", the FSDC members, including the NDRC, MOF, PBC, CBIRC, CSRC and SAFE, conducted in-depth researches and unveiled eleven financial reform measures.
- Secretary of the CPC PBC Committee Guo Shuqing inspected the Digital Currency Institute and had an informal meeting with its staff.
- 28 May To adapt financial support policies to the needs of market players, the PBC, CBIRC, NDRC, MIIT, MOF, SAMR, CSRC and SAFE jointly issued the *Guiding Opinions on Further Strengthening Financial Services for Micro, Small and Medium-Sized Enterprises*.

June

1 Jun.

To implement the decisions and arrangements of the CPC Central Committee and the State Council on coordinating the COVID-19 containment and economic and social development, the PBC, CBIRC, MOF, NDRC and MIIT jointly issued the *Notice on Extending the Policy of Phased Deferment of Loan Principal and Interest Repayments for Micro, Small and Medium-Sized Enterprises* and the *Notice on Increasing Unsecured Lending for Micro and Small Businesses*.

3 Jun.

Secretary of the CPC PBC Committee Guo Shuqing presided over the meeting of the CPC PBC Committee to convey and study the guidelines of the important speeches by General Secretary Xi Jinping during the Two Sessions, and to map out the implementation of work arrangements laid out in the *Government Work Report*.

15 Jun.

To expedite the improvement of bond market fundamental institutions featuring unified rules and to build a market-based mechanism for dealing with bond defaults in accordance with law, the PBC, together with the NDRC and CSRC, jointly released the *Notice on Issues Concerning Treatment of Defaults on Corporate Debenture Bonds*.

18 Jun.

Governor Yi Gang and Secretary of the CPC PBC Committee Guo Shuqing delivered speeches at the 12th Lujiazui Forum.

23 Jun.

The amended Chiang Mai Initiative Multilateralisation Agreement (CMIM) came into effect.

24 Jun.

Governor Yi Gang attended virtually the third plenary meeting of the FATF-XXXI and delivered remarks.

29 Jun.

To improve the mechanism for standardized bill financing and better support SME financing and development of supply chain finance, the PBC released the *Administrative Measures on Standardized Bills*.

To facilitate cross-border investment by individual residents in the Guangdong-Hong Kong-Macao Greater Bay Area, the PBC, the Hong Kong Monetary Authority, and the Monetary Authority of Macao decided to launch the pilot of Cross-Boundary Wealth Management Connect Scheme in the Greater Bay Area.

July

2~3 Jul.

The PBC convened the meeting on organizational work and the meeting of officials of organizational and human resources departments of 2020 in Beijing. Under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, participants earnestly studied General Secretary Xi Jinping's important thoughts on Party building and organizational work, 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 on Organizational Work, National Conference for the Heads of Organization Departments and National Conference on Cadre Supervision, took stock of the personnel administration work of the PBC in recent years, analyzed current situations, and mapped out its work plan for the next stage. Secretary of the CPC PBC Committee Guo Shuqing addressed the meeting and Governor Yi Gang chaired the meeting.

3 Jul.

The *Economic Daily* published the article "Improving Corporate Governance is the Top Priority in Reforming Financial Corporations" authored by Guo Shuqing, Secretary of the CPC PBC Committee.

The PBC, CBIRC, CSRC and SAFE formulated the *Rules for the Recognition of Standard Debt-Based Assets*.

- 16 Jul. The UK *Financial Times* published an article by Governor Yi Gang entitled "The IMF should turn to special drawing rights in its COVID-19 response".
- 19 Jul. The PBC and CSRC jointly issued the *Announcement of the People's Bank of China and the China Securities Regulatory Commission (No.7 [2020])*, giving green light to the interconnectivity cooperation between relevant infrastructure institutions in the interbank and exchange-traded bond market.
- 24 Jul. Secretary of the CPC PBC Committee Guo Shuqing gave a special Party lecture on "strengthening the political awareness and marching well as the first phalanx".
- 30 Jul. The PBC organized a special lecture on the Civil Code. Governor Yi Gang attended the event.
- 31 Jul. Governor Yi Gang inspected the Operation Office and attended a symposium on financial support for stabilizing businesses and securing employment.

The PBC and the State Bank of Pakistan signed an amended bilateral local currency swap agreement, expanding the swap facility to RMB30 billion, or PKR720 billion.

The PBC and the Central Bank of Chile signed an amended bilateral local currency swap agreement, expanding the swap line to RMB50 billion, or CLP5.6 trillion.

The PBC and the Central Bank of Mongolia renewed the bilateral local currency swap agreement, with a size of RMB15 billion, or MNT6 trillion.

August

- 3 Aug. The PBC held the video work conference for the second half of 2020. Participants were informed of and studied the major economic and financial work arrangements of the CPC Central Committee and the State Council, took stock of the work in the first half of the year, analyzed current economic and financial developments, and set priorities for the second half. Governor Yi Gang delivered a work report, and Secretary of the CPC PBC Committee Guo Shuqing chaired the meeting and made concluding remarks.
- 4 Aug. Governor Yi Gang visited the Basic Financial Data Center and held an informal meeting with its staff.
- 6 Aug. The PBC and the Central Bank of Argentina renewed the bilateral local currency swap agreement of RMB130 billion/ARS730 billion.
- 10 Aug. Governor Yi Gang accepted an authoritative interview by the People's Daily, Xinhua News Agency, China Media Group and other central media, answering questions on the direction of monetary policy and response to international developments.
- 13 Aug. Governor Yi Gang met with Ho Iat Seng, Chief Executive of Macao SAR.

Secretary of the CPC PBC Committee Guo Shuqing had an interview with Xinhua News Agency on financial support for stabilizing businesses and securing employment and the performance of banking and insurance industries, among other issues.

16 Aug. In its 16th issue of 2020, the *Qiushi* journal published an article entitled "Unswervingly Fight the Critical Battle of Preventing and Defusing Financial Risks" authored by Guo Shuqing, Secretary of the CPC PBC Committee.

21 Aug. Governor Yi Gang visited the Hefei Sub-Branch of the PBC for research purposes and held a symposium on the implementation of monetary policy instruments directly benefiting the real economy.

22 Aug. The PBC and the Reserve Bank of New Zealand renewed the bilateral local currency swap agreement of RMB25 billion.

25 Aug. The PBC, together with the CBIRC and MPS, co-led the meeting of the leading group on the special rectification campaign for lending practices. The leading group is one of the work streams under the national campaign on combating organized crimes and rooting out local criminal gangs. Governor Yi Gang attended the meeting and delivered a speech. Deputy Governor Liu Guoqiang of the PBC presided over the meeting.

September

13 Sep. The PBC released the *Trial Measures on Regulation of Financial Holding Companies*.

15 Sep. The PBC developed and released the *Implementation Measures of the People's Bank of China for Financial Consumer Protection*, effective on November 1, 2020.

17 Sep. The PBC and the Magyar Nemzeti Bank (Central Bank of Hungary) signed a side agreement on the bilateral local currency swap, with a size of RMB40 billion.

18 Sep. In order to provide proper financial support for stabilizing businesses and securing employment, the PBC, together with the MIIT, Ministry of Justice (MOJ), MOFCOM, SASAC, SAMR, CBIRC and SAFE issued the *Opinions on Regulating the Development of Supply Chain Finance and Supporting the Stable Circulation, Improvement and Upgrading of Supply Chain and Industrial Chain*.

24 Sep. Secretary of the CPC PBC Committee Guo Shuqing, when conducting surveys in the Research Bureau and Financial Research Institute of the PBC, pointed out, the past experience suggested that one key reason why PBC had played an important role in the reform and opening-up and made significant contributions to the macroeconomic management and the economic and financial reform was its great emphasis on research work while performing central bank mandates. All departments and all branches of the PBC should conduct researches, and strengthen connections between departments and branches, to jointly carry forward the fine traditions of the PBC.

25 Sep. FTSE Russell announced Chinese government bonds would be included in the FTSE World Government Bond Index (WGBI).

The CSRC, PBC and SAFE jointly released the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*.

30 Sep. Governor Yi Gang and Governor Perry Warjiyo of Bank Indonesia signed the *Memorandum of Understanding for the Establishment of a Framework for Cooperation to Promote the Settlement of Current Account Transactions and Direct Investment in Local Currencies*. It came as a move to promote the use of local currencies for settlement of trade and direct investment between the two countries.

The PBC and CBIRC jointly issued the *Notice on Establishing the Mechanism of Countercyclical Capital Buffer*.

October

11 Oct.

The PBC and the Bank of Korea signed a bilateral local currency swap extension and amendment agreement to expand the swap facility to RMB400 billion/KRW70 trillion.

16 Oct.

Governor Yi Gang attended the first anniversary online event of the International Platform on Sustainable Finance (IPSF). During the event, Governor Yi and Executive Vice-President Valdis Dombrovskis of the European Commission jointly announced the launch of IPSF Working Group on Taxonomies co-led by China and the EU, a venue for IPSF members to promote green finance and support the transition to green and sustainable development.

19 Oct.

The PBC and the Central Bank of Iceland renewed a bilateral local currency swap agreement with a size of RMB3.5 billion, or ISK70 billion.

20 Oct.

Governor Yi Gang attended the virtual Annual Meeting of the Group of Trustees of the *Principles for Stable Capital Flows and Fair Debt Restructuring* of the Institute of International Finance.

21 Oct.

Governor Yi Gang and Secretary of the CPC PBC Committee Guo Shuqing attended Financial Street Forum 2020 and delivered speeches.

22 Oct.

Secretary of the CPC PBC Committee Guo Shuqing met with and extended regards to the staff of the Deposit Insurance Company, and held an informal meeting with them.

24 Oct.

Governor Yi Gang delivered a speech at the 2nd Bund Summit.

30 Oct.

Secretary of the CPC PBC Committee Guo Shuqing presided over a meeting of the CPC PBC Committee to convey and study the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee. Participants earnestly studied the guiding principles of General Secretary Xi Jinping's important speech and deliberated measures for PBC-wide implementation.

November

9 Nov.

Member of the Central Publicity Group and Secretary of the CPC PBC Committee Guo Shuqing gave a speech in Lanzhou, Gansu province on implementing the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee, and talked face-to-face with local farmers on poverty alleviation, rural rejuvenation and other topics in Lintao county of Dingxi city, Gansu province.

Member of the Central Publicity Group and Governor of the PBC Yi Gang delivered a publicity report in Xi'an, Shaanxi province on carrying out the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee.

10 Nov.

Governor Yi Gang conducted a field study in Yijun county, Shaanxi province and offered guidance on providing targeted financial support to poverty alleviation.

18 Nov.

The CPC PBC Committee convened an institution-wide meeting to publicize the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee, to further advance the study, publicity and implementation of the important speech by General Secretary Xi Jinping at the Fifth Plenary Session and the guidelines of the plenary session. Secretary of the CPC PBC Committee Guo Shuqing presided over the meeting and delivered a special coaching report. Governor Yi Gang delivered a publicity report.

23 Nov. The PBC and the Bank of Russia renewed a bilateral local currency swap agreement, with a size of RMB150 billion, or RUB1.75 trillion.

The PBC and the Hong Kong Monetary Authority signed an amended bilateral local currency swap agreement, expanding the swap line to RMB500 billion, or HKD590 billion.

28 Nov. In order to further improve the deposit insurance system, protect the legitimate rights and interests of depositors and advance the sound development of the banking sector, the PBC issued a notice to authorize insured financial institutions to use the deposit insurance logo starting from November 28, 2020.

December

3 Dec. To improve the regulatory framework for China's systemically important financial institutions and establish a system for assessing and identifying systemically important banks, the PBC and CBIRC formulated and jointly released the *Measures for Assessment of Systemically Important Banks*.

8 Dec. Guo Shuqing, Secretary of the CPC PBC Committee, delivered a speech at the Singapore FinTech Festival 2020.

11 Dec. The "Credit Information Chain in the Yangtze River Delta" was officially launched.

18 Dec. Guo Shuqing, Secretary of the CPC PBC Committee, presided over an extended meeting to convey and study the guidelines of the Central Economic Work Conference and to map out the implementation plan.

22 Dec. Governor Yi Gang met with the delegation of Hong Kong Monetary Authority and the Hong Kong Association of Banks. Both sides exchanged views on RMB internationalization, the development of green finance in the Guangdong-Hong Kong-Macao Greater Bay Area, and other issues.

The State Council issued the *Decision of the State Council on the Implementation of Unified Registration for Pledge of Movable Property and Rights*, which provides that unified registration for pledge of movable property and rights will be implemented nationwide starting from January 1, 2021, and that the PBC will be in charge of the unified registration.

25 Dec. The PBC approved the application of Pudao Credit for personal credit investigation license, making it second licensed personal credit agency.

26 Dec. The PBC, CBIRC, CSRC and SAFE held a regulatory talk with the Ant Group.

28 Dec. To further unify the rules for information disclosure of corporate debenture bonds, improve the corresponding disclosure frameworks, and promote the sustainable and healthy development of China's bond market, the PBC, together with the NDRC and CSRC, formulated the *Administrative Measures for Information Disclosure of Corporate Debenture Bonds*.

31 Dec. Governor Yi Gang delivered a New Year Address.

Governor Yi Gang paid a visit and extended regards to the officials responsible for the operations and management of foreign exchange reserves.

The PBC and CBIRC issued the *Notice on Establishing the Real Estate Loan Concentration Management System for Banking Financial Institutions*.

The PBC, CBIRC, MOF, NDRC and MIIT jointly issued the *Notice on Issues Concerning Extending the Policy of Deferred Repayments of Principal and Interest on Inclusive Loans to Micro and Small Businesses and the Support Policy of Providing Inclusive Unsecured Loans to Micro and Small Businesses*.

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2020

No.	Document Number	Title (Main Content)	Date
1	Decree [2020] No. 1	Measures of the People's Bank of China for the Implementation of Administrative Permits	03.23
2	Decree [2020] No. 2	Decision of the PBC on amending the Administrative Rules on Educational Deposits and other regulations	05.28
3	Decree [2020] No. 3	Decision of the PBC and the General Administration of Customs on amending the Administrative Measures on Import and Export of Gold and Gold Products	05.28
4	Decree [2020] No. 4	Trial Measures on Regulation of Financial Holding Companies	09.14
5	Decree [2020] No. 5	Implementation Measures of the People's Bank of China for Financial Consumer Protection	09.16
6	Announcement [2020] No. 2	Announcement of the PBC and the SAFE (Provisions on Managing the Funds Invested by Foreign Institutional Investors in Domestic Securities and Futures)	05.07
7	Announcement [2020] No. 3	Announcement of the PBC (Amending five normative documents including the Implementation Measures for Administrative Rules on Payment Services Provided by Non-Financial Institutions)	05.28
8	Announcement [2020] No. 5	Announcement of the PBC, the CBIRC, the CSRC and the SAFE (on issues concerning the Rules for the Recognition of Standard Debt-Based Assets)	06.29
9	Announcement [2020] No. 6	Announcement of the PBC (Administrative Measures on Standardized Bills)	06.28
10	Announcement [2020] No. 7	Announcement of the PBC and the CSRC (on issues concerning interconnectivity cooperation between the interbank bond market and the exchange-traded bond market)	07.01
11	Announcement [2020] No. 9	Announcement of the PBC (Issuing the Five-Yuan Banknote of the 2020 Edition of Fifth RMB Series)	07.03
12	Announcement [2020] No. 15	Announcement of the PBC (Revising the normative documents related to the reform of separating permits from business licenses)	11.13
13	Announcement [2020] No. 18	Announcement of the PBC (Guidelines on RMB Cash Receipts and Payments)	12.14
14	Announcement [2020] No. 19	Announcement of the PBC (Regulating Information Disclosure of Commercial Acceptance Bills)	12.21
15	Announcement [2020] No. 21	Announcement of the PBC (Improving the Management of Market Makers for Spot Bond Trading in the Interbank Bond Market)	12.25
16	Announcement [2020] No. 22	Announcement of the PBC, the NDRC and the CSRC (Administrative Measures for Information Disclosure of Corporate Debenture Bonds)	12.28
17	Document [2020] No. 29	Notice of the PBC, the MOF, the CBIRC, the CSRC and the SAFE on Further Strengthening Financial Support for Containing the COVID-19 Outbreak	02.01
18	Document [2020] No. 35	Notice of the PBC on Issuing an Industry Standard for the General Specifications on Information Security of the Internet Banking System	02.11
19	Document [2020] No. 44	Notice of the PBC on Issuing a Financial Industry Standard to Strengthen Security Management for Application Program Interface of Commercial Banks	02.17
20	Document [2020] No. 45	Notice of the PBC on Issuing a Financial Industry Standard to Exercise Effective Technological Management for Personal Financial Information Protection	02.17
21	Document [2020] No. 46	Opinions of the PBC, the CBIRC, the CSRC, the SAFE and the Shanghai Municipal People's Government on Further Accelerating the Development of Shanghai as an International Financial Center and Providing Financial Support for the Integrated Development of the Yangtze River Delta	02.14

No.	Document Number	Title (Main Content)	Date
22	Document [2020] No. 55	Notice of the PBC, the CBIRC and the CSRC on Issuing Measures for the Implementation of Incentive Initiatives for Regions with Remarkable Results from Solid Work (2020)	02.27
23	Document [2020] No. 66	Notice of the PBC on Targeted Required Reserve Ratio Cuts for Inclusive Finance	03.13
24	Document [2020] No. 85	Notice of the PBC on Lowering Required Reserve Ratio for Some Financial Institutions	04.10
25	Document [2020] No. 95	Opinions of the PBC, the CBIRC, the CSRC and the SAFE on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area	04.27
26	Document [2020] No. 105	Notice of the PBC on Conducting Pilot Programs of Large-Value Cash Management	06.09
27	Document [2020] No. 120	Guiding Opinions of the PBC, the CBIRC, the NDRC, the MIIT, the MOF, the SAMR, the CSRC and the SAFE on Further Strengthening Financial Services for Micro, Small and Medium-Sized Enterprises	05.28
28	Document [2020] No. 122	Notice of the PBC, the CBIRC, the MOF, the NDRC and the MIIT on Extending the Policy of Phased Deferment of Loan Principal and Interest Repayments for Micro, Small and Medium-Sized Enterprises	06.01
29	Document [2020] No. 123	Notice of the PBC, the CBIRC, the MOF, the NDRC and the MIIT on Increasing the Unsecured Lending for Micro and Small Businesses	06.01
30	Document [2020] No. 144	Notice of the PBC, the NDRC and the CSRC on Issues Concerning Treatment of Defaults on Corporate Debenture Bonds	06.24
31	Document [2020] No. 173	Notice of the PBC on Issuing the Interim Provisions on the Administration of Common Commemorative Coins Issuance	07.24
32	Document [2020] No. 184	Notice of the PBC, the NDRC, the MOF, the MOFCOM, the CBIRC, the CSRC and the SAFE on Issuing the Overall Plan of Building a Pilot Zone in Kunshan of Jiangsu Province for Reforms and Innovations to Support and Deepen Cross-Straits Industrial Cooperation through Financial Services	08.06
33	Document [2020] No. 226	Opinions of the PBC, the MIIT, the MOJ, the MOFCOM, the SASAC, the SAMR, the CBIRC and the SAFE on Regulating the Development of Supply Chain Finance and Supporting the Stable Circulation, Improvement and Upgrading of Supply Chain and Industrial Chain	09.18
34	Document [2020] No. 233	Notice of the PBC and the CBIRC on Establishing the Mechanism of Countercyclical Capital Buffer	09.30
35	Document [2020] No. 248	Notice of the PBC on Standardizing Collection Business	10.16
36	Document [2020] No. 281	Notice of the PBC on Issuing Samples for Special Receipts and Seals for Counterfeit Currency Seizure and Authentication	11.18
37	Document [2020] No. 289	Notice of the PBC and the CBIRC on Issuing the Measures for Assessment of Systemically Important Banks	12.03
38	Document [2020] No. 322	Notice of the PBC and the CBIRC on Establishing the Real Estate Loan Concentration Management System for Banking Financial Institutions	12.30
39	Document [2020] No. 324	Notice of the PBC, the CBIRC, the MOF, the NDRC and the MIIT on Extending the Policy of Deferred Repayments of Principal and Interest on Inclusive Loans to Micro and Small Businesses and the Support Policy of Providing Inclusive Unsecured Loans to Micro and Small Businesses	12.31

PRESS RELEASES ON QUARTERLY MEETINGS OF THE MONETARY POLICY COMMITTEE IN 2020

On March 26, the Monetary Policy Committee of the PBC held the first quarterly meeting in 2020 (its 88th meeting) in Beijing

The attendees analyzed the economic and financial developments both at home and abroad. They agreed that, the impact of COVID-19 on the Chinese economy was overall controllable, the economic growth remained resilient, and the long-term sound economic fundamentals stayed unchanged. The sound monetary policy responded to the need for preemptive, targeted and countercyclical adjustments. Strong support was provided to COVID-19 prevention and control, business and production resumption, and the development of the real economy. The macro leverage ratio remained basically stable, financial risks were under control, and the quality and efficiency of financial support for the real economy was gradually improved. The LPR reform started to take effects, as the real lending rate dropped markedly. The RMB exchange rate remained stable overall and was more flexible with two-way fluctuations, making the economy more resilient against external shocks. The situation of COVID-19 prevention and control in China continued to improve, and the restoration of the order of production and life was picking up the pace. However, the downward pressure on the economy was mounting, and the spread of COVID-19 outside China and its adverse impact on the global economy posed new challenges to China's COVID-19 response and economic development.

It was noted at the meeting that efforts should be made to follow closely the global economic and financial developments, enhance the research and analysis of international economic situations, strengthen the international coordination of macroeconomic policies, and

concentrate on keeping our own house in order. The PBC would innovate and improve macro management, make the sound monetary policy more flexible and appropriate, and put supporting the recovery of real economy higher on the agenda. A mix of policy tools would be used to keep liquidity abundant at a reasonable level and maintain the overall price stability. The PBC would also tap the role of structural monetary policy tools in providing targeted liquidity support, and make good use of the RMB300 billion special central bank lending, the RMB500 billion special central bank lending and rediscount and the RMB350 billion special credit line for policy banks. Financial institutions would be encouraged to increase credit support for enterprises providing supplies for COVID-19 containment, resumption of business and production, poverty alleviation, spring crop farming and preparation therefor, poultry and livestock breeding, and foreign trade. The financial sector supply-side structural reform would be deepened to guide large banks to increase the availability of financial services at the community level, encourage small and medium-sized banks to focus on their main businesses and responsibilities, and advance a modern financial system featuring great adaptability, competitiveness and inclusiveness. Meanwhile, the PBC would also work vigorously to smooth monetary policy transmission, continue unleashing the potential of reforms in bringing down real lending rates, and guide financial institutions to increase support for the real economy, especially for MSBs and private enterprises. In this way, private enterprises would get financial support proportionate to their contribution to the economic and social development. Moreover, measures would be taken to promote the formation of a triangular framework with the supply system, the demand system, and the financial system reinforcing each other, in a bid to drive the overall virtuous circle of national economic development. The PBC

would further promote the two-way high-level opening-up of the financial sector, and enhance the capacity for economic and financial management and risk prevention in an open market.

The meeting noted that the PBC should follow the guidance of Xi Jinping 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, and coordinate COVID-19 response and economic and social development. The countercyclical adjustments of macro policies should be intensified so as to invigorate micro entities and make all-round progress in stabilizing employment, financial sector, domestic and foreign investment, foreign trade and expectations. The mechanism for the coordination and transmission of fiscal, monetary and employment policies should be improved to offset the impact of COVID-19 on economic growth. The PBC would further deepen market-based reform of interest rates, advance the transition of the pricing benchmark of outstanding floating-rate loans to LPR in an orderly manner, and keep the RMB exchange rate basically stable at an adaptive and equilibrium level. Effective measures would be taken to prevent and defuse financial risks and strike the right balance among stabilizing growth, preventing risks and curbing inflation. The PBC would focus on defusing risks while pursuing reform and development, and would secure the bottom line of no systemic financial risks.

On June 24, the Monetary Policy Committee of the PBC held the second quarterly meeting in 2020 (its 89th meeting) in Beijing

The attendees analyzed the economic and financial developments both at home and abroad. They agreed that, the impact of COVID-19 on the Chinese economy

was overall controllable, the economic growth remained resilient, and the long-term sound economic fundamentals stayed unchanged. The sound monetary policy responded to the need for preemptive, targeted and countercyclical adjustments. Strong support was provided for COVID-19 containment, business and production resumption and the development of the real economy. Financial risks were under control, and the quality and efficiency of financial support for the real economy was gradually improved. The LPR reform produced tangible results, and the efficiency of monetary policy transmission increased, resulting in a noticeable decline in lending rates. The RMB exchange rate remained stable overall with greater flexibility amid two-way fluctuations, making the economy more resilient against external shocks. The coordination of COVID-19 containment and business and production resumption has made big progress, as various economic indicators have shown marginal improvements. However, the global COVID-19 situation and economic developments remain grim and complicated, and preventing a resurgence of COVID-19 at home remains an arduous task, posing risks and challenges to China's economic development.

It was pointed out at the meeting that it was essential to follow closely the global economic and financial developments, enhance the judgment and analysis of international economic situations, strengthen the international coordination of macroeconomic policies, and concentrate on keeping our own house in order. The PBC would innovate and improve macro management, make the sound monetary policy more flexible and appropriate, and put supporting the recovery of real economy and sustainable development higher on the agenda. The PBC would keep the aggregate at an appropriate level to drive a virtuous cycle between finance and the real economy and to provide full support for ensuring stability on the six fronts (employment, financial sector, foreign trade, foreign investment, domestic investment and expectations) and maintaining security in the six areas (employment, people's basic livelihood, market entities, food and energy, stability of industrial and supply chains, and smooth functioning of grassroots

administration). A mix of new monetary policy tools would be used to keep liquidity abundant at a reasonable level. The PBC would tap the role of structural monetary policy tools in providing targeted liquidity support to make policy effects more direct. The PBC would continue to properly use the RMB1 trillion central bank lending and rediscount for inclusive finance, well implement new instruments that directly benefit the real economy, and support eligible locally incorporated banks to defer the debt service of inclusive MSB loans and to issue unsecured MSB loans. The financial sector supply-side structural reform would be deepened to guide large banks to increase the availability of financial services at the community level, encourage small and medium-sized banks to focus on their main businesses and responsibilities, and advance a modern financial system featuring great adaptability, competitiveness and inclusiveness. The PBC would strive to remove obstacles in monetary policy transmission, continue to unleash the potential of reforms in driving down lending rates, encourage financial institutions to enhance support for the real economy, especially for MSBs and private enterprises, and increase the proportion of MSB loans, unsecured loans and loans to the manufacturing sector. In this way, private enterprises would get financial support proportionate to their contribution to the economic and social development. Moreover, measures would be taken to build up a triangular framework with the supply system, the demand system and the financial system reinforcing each other, and facilitate the formation of a new development paradigm of dual circulation with the domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The PBC would further promote the two-way high-level opening-up of the financial sector, and enhance the capacity for economic and financial management and risk prevention in an open market.

The meeting stressed that the PBC would follow the guidance of Xi Jinping 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, the Central Economic Work Conference and the *Report on the Work of the Government*, continue acting in accordance with the decisions and arrangements made by the CPC Central Committee and the State Council, stick to the goal of building a moderately prosperous society in all respects, coordinate COVID-19 containment efforts with economic and social development, and adhere to the underlying principle of pursuing progress while ensuring stability with the COVID-19 containment becoming a normal. The PBC would strengthen the adjustments of macro policies, focus on stabilizing businesses and securing employment, take solid steps to ensure stability on the six fronts, and fully implement the task of maintaining security in the six areas. The mechanism for the coordination, transmission and implementation of fiscal, monetary and employment policies should be improved to offset the impact of COVID-19 on economic growth. The PBC would further deepen market-based reform of interest rates, advance the transition of the pricing benchmark of outstanding floating-rate loans to LPR in an orderly manner, and keep the RMB exchange rate basically stable at an adaptive and equilibrium level. Effective measures would be taken to prevent and defuse financial risks and strike the right balance between securing growth and preventing risks. The PBC would focus on defusing risks while pursuing reform and development, and would secure the bottom line of no systemic financial risks.

On September 25, the Monetary Policy Committee of the PBC held the third quarterly meeting in 2020 (its 90th meeting) in Beijing

The attendees analyzed the economic and financial developments both at home and abroad. They agreed that since the beginning of this year, the coordination of COVID-19 containment and economic and social development has seen remarkable achievements, and the economy has been recovering steadily. The sound monetary policy has been forward-looking, targeted and

timely, providing strong support for COVID-19 containment, business and production resumption and the development of real economy. Financial risks were effectively managed. The quality and efficiency of financial support for the real economy was gradually improved. The transition of the pricing benchmark of outstanding floating-rate loans to the LPR was completed. The LPR reform has been paying dividends, and the efficiency of monetary policy transmission was enhanced, resulting in a notable drop in lending rates. The RMB exchange rate has acted as a macroeconomic stabilizer, as it has remained generally stable with greater flexibility amid two-way fluctuations.

It was pointed out at the meeting that as the overseas COVID-19 situation and the global economic developments remained grim and complicated, the PBC would enhance the research and analysis of international economic situations, strengthen the international coordination of macroeconomic policies, concentrate on keeping our own house in order, and improve intertemporal policy designs and adjustments to support high-quality economic development. The PBC would pursue a sound monetary policy in a more flexible, appropriate and well-targeted manner, and use a mix of monetary policy tools and innovate new ones to keep liquidity abundant at a reasonable level. It would tap the role of structural monetary policy tools in providing targeted liquidity support to make policy effects more direct. The PBC would continue to properly use the RMB1 trillion central bank lending and rediscount for inclusive finance, well implement new instruments that directly benefit the real economy, ensure deferred repayments of inclusive loans are applicable to all eligible MSBs, and raise the share of unsecured loans to MSBs. The financial sector supply-side structural reform would be deepened to guide large banks to increase the availability of financial services at the community level, encourage small and medium-sized banks to focus on their main businesses and responsibilities, and advance a modern financial system featuring great adaptability, competitiveness and

inclusiveness. The PBC would strive to remove obstacles in monetary policy transmission, continue to unleash the potential of reforms in driving down lending rates, adopt a mix of policies to significantly drive down overall financing costs, encourage financial institutions to enhance support for the real economy, shore up weak links and foster strengths, and ensure that new financing primarily flows to the manufacturing sector and micro, small and medium-sized enterprises. In this way, private enterprises would get financial support proportionate to their contribution to the economic and social development. Moreover, measures would be taken to build up a triangular framework with the supply system, the demand system and the financial system reinforcing each other, and to expedite the formation of a new development paradigm of dual circulation with the domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The PBC would further promote the two-way high-level opening-up of the financial sector, and enhance the capacity for economic and financial management and risk prevention in an open market.

The meeting stressed that the PBC would follow the guidance of Xi Jinping 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, the Central Economic Work Conference and the *Report on the Work of the Government*, continue acting in accordance with the decisions and arrangements made by the CPC Central Committee and the State Council, stick to the goal of building a moderately prosperous society in all respects, and better coordinate routine COVID-19 containment efforts with economic and social development. Adhering to the underlying principle of pursuing progress while ensuring stability and the strategic orientation of structural adjustments, the PBC would bear in mind the strategic basis of expanding domestic demand, take solid steps to ensure stability on the six fronts and fully implement the task of maintaining security in the six areas. It would deepen the market-based reform of

interest rates to bring down lending rates, and keep the RMB exchange rate basically stable at an adaptive and equilibrium level. Effective measures would be taken to prevent and defuse major financial risks, hold the bottom line that no systemic financial risks should occur, and strike a long-term balance between stabilizing growth and preventing risks.

On December 25, the Monetary Policy Committee of the PBC held the fourth quarterly meeting in 2020 (its 91st meeting) in Beijing

The meeting analyzed the economic and financial developments both at home and abroad. It was agreed that remarkable results had been achieved in coordinating COVID-19 containment and economic and social development since the beginning of this year, and the Chinese economy had gradually returned to normal. The sound monetary policy has been forward-looking, targeted and timely, providing strong support for COVID-19 containment, the resumption of business and production, and the development of real economy. Financial risks are effectively controlled, and the quality and efficiency of financial support for real economy has gradually improved. The transition of the pricing benchmark for outstanding floating-rate loans to the LPR was completed. The LPR reform has been paying dividends, and monetary policy transmission has become more efficient, contributing to a considerable decline in lending rates. The RMB exchange rate has acted as a macroeconomic stabilizer, as it has remained generally stable with greater flexibility amid two-way fluctuations.

It was pointed out at the meeting that the spread of COVID-19 outside China and the global economic landscape were still complicated and challenging for the time being. The domestic economy had been underpinned by stronger endogenous growth drivers but still faced instabilities and uncertainties such as the COVID-19. The PBC would enhance the judgment and analysis of

economic developments, strengthen the international coordination of macroeconomic policies, concentrate on keeping our own house in order, and improve intertemporal policy designs, so as to bolster high-quality economic development. The sound monetary policy would be flexible, targeted and appropriate. The PBC would keep the continuity, stability and sustainability of monetary policy by properly managing the timeliness, intensity and effectiveness of the policy, so as to maintain necessary support for economic recovery. It would use and innovate a mix of monetary policy tools to keep liquidity abundant at a reasonable level, keep the growth of money supply and aggregate financing to the real economy broadly aligned with nominal GDP growth, and keep the macro leverage ratio basically stable. The PBC would further tap the role of central bank lending, rediscount as well as monetary policy tools that directly support the real economy in channeling financial resources to sci-tech innovation, MSBs and green development. The policy of deferred debt service of inclusive MSB loans and the support scheme of providing unsecured loans to MSBs would continue. The financial sector supply-side structural reform would be deepened to guide large banks to increase the availability of financial services at the community level, encourage small and medium-sized banks to focus on their main businesses and responsibilities, increase the vitality and resilience of financial markets, and advance a modern financial system featuring great adaptability, competitiveness and inclusiveness. The PBC would strive to remove obstacles in monetary policy transmission and continue to unleash the potential of reforms in lowering lending rates, so as to consolidate the progress in reducing real lending rates and to facilitate a steady decline in the overall financing costs for businesses. The PBC would build the systems and mechanisms needed to provide effective financial support for the real economy, improve financial support for innovation, and develop funding chains for innovation chains and industrial chains, thereby creating a virtuous circle and interaction among the financial sector, the sci-tech sector and industries. The PBC would guide financial

institutions to increase medium and long-term loans to the manufacturing sector, strive to make financial support for private enterprises commensurate with their contribution to economic and social development, and improve the green financial system with an aim to meet the goals of carbon emissions peak and carbon neutrality. With innovation and high-quality supply driving and creating new demands, the PBC would make its contribution to accelerating the establishment of a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Measures would also be taken to advance the two-way high-level opening-up of the financial sector, and enhance the capacity for economic and financial management and risk prevention in an open market.

It was emphasized at the meeting that the PBC would follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, earnestly implement the guidelines of the Fifth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, act in accordance with the decisions and arrangements made by the CPC Central Committee

and the State Council, uphold the general principle of pursuing progress while ensuring stability, and prioritize stability and refrain from making abrupt changes. Based on the new development stage, the PBC would apply the new development philosophy, build the new development paradigm, focus on promoting high-quality development, pursue supply-side structural reform as a main task, stay committed to the strategy of expanding domestic demand, and build on the achievements made in COVID-19 containment and economic and social development. The PBC would ensure stability on the six fronts, and maintain security in the six areas, so as to make a good start for the 14th Five-Year Plan period with high-quality development. The PBC would deepen market-based interest rate and exchange rate reforms, improve the market-based interest rate formation and transmission mechanism, guide businesses and financial institutions to remain risk neutral, stabilize market expectations, and keep the RMB exchange rate basically stable at an adaptive and equilibrium level. It would properly handle the relationship between economic recovery and risk prevention, and secure the bottom line that no systemic financial risk should occur.