

Yinfa No. 37 [2014], Opinions of the People's Bank of China on Accelerating the Development of the Credit Systems for Micro and Small Businesses and Rural Areas

To Shanghai Head Office, branches, operations offices and central sub-branches in capital cities of provinces (autonomous regions) of the People's Bank of China (PBC), China Development Bank, policy banks, state-owned commercial banks, joint-stock commercial banks and Postal Savings Bank of China,

In order to implement the requirements of the State Council on enhancing financial support to micro and small businesses (MSBs) and economic development in rural areas, accelerate the development of the credit systems for MSBs and rural areas, strengthen information services for economic entities of MSBs and rural households, vigorously improve financial services for MSBs, the agricultural sector, rural areas and rural residents, and advance inclusive finance, the PBC hereby proposes the opinions as follows.

I. Purposes

The development of MSBs and rural areas is a major component of China's economic and social development. In an attempt to boost employment, expand domestic demand, promote economic structure adjustments and invigorate the economy, it is of great importance to accelerate the development of the credit systems for MSBs and rural areas. It serves to make better use of credit information, push forward financial inclusion, improve credit environment, and support the financing and development of economic entities of MSBs and rural households that have sound credit records and a promising market.

II. Guidelines and Objectives

In developing the credit systems for MSBs and rural areas, relevant arrangements and requirements made by the Central Committee of the Communist Party of China (CPC) and the State Council should be implemented. Based on credit information services and guided by the principles of supporting financing and fostering an awareness of

credit, efforts should be made to bolster sound development of economic entities of MSBs and rural households.

The objectives of developing the credit systems for MSBs and rural areas are to strengthen the collection system of credit information, improve the release and application of credit rating (scoring) information, advance the building of credit information service networks, establish a sustainable mechanism featuring joint efforts of all parties concerned and sharing of interests and risks, discover and promote the credit value of economic entities of MSBs and rural households, improve the financial ecosystem, promote MSB financing and improve financial services for the agricultural sector, rural areas and rural residents.

III. Principles

1. To combine government leadership with market participation. Measures should be taken to exert the organizing and leading role of the government, establish and improve policies and institutions, and promote the release and application of credit information. The role of market mechanism should be brought into play by guiding active participation of market entities.

2. To combine PBC promotion with multi-party support. Relationship with the government and relevant departments should be enhanced, and work plans and measures should be formulated and improved. Publicity should be ramped up to win wide support and collaboration, so as to forge synergy to jointly push forward the work.

3. To combine pilot projects with gradual expansion in areas. Pilot projects shall be carried out in light of local conditions in qualified regions. Based on experience from pilot zones, the work should be advanced step by step, gradually expanding to broader regions.

4. To combine proactive innovation with practical and effective implementation. A fact-based approach should be taken to proactively pursue innovations and explore suitable methods of and approaches to work. A sustainable work mechanism should be built to seek practical effects and make solid progress in all tasks.

IV. Tasks

1. Improving the collection system of credit information.

As the foundation for the credit systems for MSBs and rural areas, credit information collection should adopt multiple approaches to improve the collection system.

The collection of information on MSBs and rural households should be improved.

Steps should be taken to strengthen organization and leadership, and to call on relevant departments to establish sound information records of economic entities of MSBs and rural households. In accordance with the *Guidance on Basic Data Items for the Building of the Credit System for Small and Medium-sized Enterprises* and the *Guidance on Basic Data Items for the Building of the Credit System for Rural Areas* (Yinbanfa No. 62 [2013]), the system of indices to be collected should be determined in light of the characteristics of local economic entities of MSBs and rural households as well as information distribution in the regions. The information collection mechanism should be improved by adopting data reporting, direct collection and interconnection, sharing of information systems and other approaches.

The digital archive development should be accelerated. In line with the principles of promoting information collection based on data usage, proceeding from easy issues to tougher ones and making steady progress, we should adopt multiple channels and means to integrate various credit information resources and establish credit archives for economic entities of MSBs and rural households, so as to realize sustainable information upgrading and improve the credit information sharing mechanism.

2. Setting up a credit assessment mechanism.

With the roles of local governments, relevant departments, financial institutions and intermediaries fully played, a credit assessment mechanism should be established and improved which suits economic entities of MSBs and rural households based on their credit information.

Credit rating (scoring) businesses for MSBs should be pushed forward. Rating agencies are encouraged to develop a rating system which fits the characteristics of MSBs, and market-based approaches should be adopted to promote rating agencies to

rate MSBs. Government departments and financial institutions should, in light of market-based demands, leverage MSB databases, develop scoring systems tailored to local MSBs, and continuously promote the credit scoring for MSBs.

Continuous efforts should be made to advance credit assessment in rural areas.

Based on the collection system of rural household information, we should facilitate the establishment of credit assessment organizations and of relevant work mechanism among local governments, relevant departments, financial institutions and intermediaries, improve the indicator system and the credit assessment system which fit local conditions, and vigorously push ahead with assessment and recognition of “credible households”, “credible villages” and “credible towns.”

3. Improving information release and application mechanisms.

Mechanisms for information sharing and application of economic entities of MSBs and rural households should be established, so as to effectively provide information services for financial institutions, governments and the public.

The information services for financial institutions should be improved. With an aim to meet their demands, financial institutions should be informed of the credit information, credit rating (scoring) results and analysis reports of MSBs and rural households through various means including online network, statements and reports, so as to support financial institutions to seek clients and manage credit risks in an effective manner.

The information services for governments should be strengthened. The information demands of governments should be tracked constantly, and the credit information of MSBs and rural households should be reported to governments on a regular or irregular basis through various means including reports and statements, as a reference to the policy-making of governments.

Information should be appropriately released to the public. A credit information release system should be set up, which sets forth the content, time, frequency and means of information disclosure. Information on the development of MSBs, the agricultural sector, rural areas and rural residents should be, on a regular or irregular

basis, released to the public via Internet or media in forms of reports, statements, etc.

4. Promote the practice of pilot zones.

Pilot zones should be established. Pilot zones (see the Annex for details) should be built in localities with favorable conditions. With the leadership and strong support of local governments, mechanisms for organization, leadership and implementation should be established with sound work program and organizational supporting measures for the building of pilot zones. The zones should feature new working modes and methods, and exert their exemplary roles. In principle, pilot zones for the MSB credit system should be constructed mainly at the prefecture-level cities, and those for the rural area credit system constructed mainly in counties.

The databases of MSBs and rural households should be set up. In principle, the MSB databases should be established mainly at the prefecture-level cities, while those of rural households mainly at the county level, following the idea of “collecting information from the local and for the local” and based on local features of the business scope of MSBs and rural households as well as information availability. In this way, the information of MSBs and rural households should be integrated, so as to continuously perfect the information collection system. It is, in principle, not necessary to establish databases at all levels or to gather information across each level and report to a higher level. Regions where necessary conditions are satisfied may adopt market-based approaches for market entities to collect information and to establish databases of MSBs and rural households.

Information service platforms should be put into place. Sound mechanisms for credit assessment, information release and application should be established based on databases, so as to foster information service platforms that combine databases and networks. The platform should gradually incorporate government policy information, financial institutions’ product and service information, intermediaries’ service information, as well as the productive, operational and financing demands of MSBs and rural households. Such comprehensive platforms for information collection and release should be put in place to reduce information asymmetry. Efforts should be made to advance credit cultivation and credit information sharing, and to promote the

combination of administrative promotion and market mechanisms, so as to achieve win-win results for all parties involved.

5. Improving the policy support system.

Government's public policy should become more transparent. Government departments will be encouraged to establish sound credit records of economic entities of MSBs and rural households, and promote the transparency of public policy pursuant to the *Regulations on Government Information Disclosure*, laying the foundation for market entities and other departments to collect information and provide information services.

Supporting policy measures should be enhanced. Local authorities will be encouraged to formulate supporting policy measures for MSBs and rural households based on credit assessment with preferential support in funds, technical services and other aspects. Credit risk compensation and reward funds should be established to offer subsidy and risk compensation for credit loans to MSBs and rural households. Loans to MSBs and rural households should be included in the assessment and reward criteria for financial institutions by local governments, thus guiding financial institutions in increasing credit input. The financing guarantee and re-guarantee system should be advanced to leverage the guarantee institutions and other intermediaries in credit enhancement and increase credit availability.

A credit incentive mechanism should be built. Financial institutions will be guided to increase the application of credit information and establish a credit review mechanism targeting MSBs and rural households that focuses on improving the system, optimizing procedures, innovating products, and elevating services, so as to improve the authenticity of credit assessment. Categorized credit management should be carried out to offer preferential policies and conveniences in credit line, interest rates and services to MSBs and rural households with good credit records.

6. Leveraging the role of publicity and education.

Publicity and education should be stepped up. Proactive efforts should be made to actively publicize on the building of credit systems of MSBs and rural households to

government departments and financial institutions, especially on the achievements of pilot zones, so as to deepen their understanding of the work and motivate their engagement.

Credit knowledge publicity and more training programs should be provided.

Together with government departments, financial institutions and intermediaries, we will publicize and organize training on credit and financial knowledge to MSBs and rural households through multiple channels, so as to raise their awareness of the value of credit and guide them in disclosing information in a more authentic and regulated manner.

V. Requirements

1. Strengthening organization and leadership. The building of the credit systems of MSBs and rural areas is an arduous task with a wide coverage. The PBC headquarter is responsible for formulating policy measures, organizing the implementation of such measures, coordinating all parties involved and offering relevant guidance. It will also improve the working mechanism of the pilot zone construction, and determine and publish the list of pilot zones as the work progresses.

The PBC branches and sub-branches should well organize the working projects and ensure smooth progress. They should strive for supports from local party committees and governments, especially from their main leaders, so as to foster a coordination mechanism where local government leaders and relevant departments are involved. Besides, they should integrate the duties of the PBC to encourage financial institutions to innovate financial products and services and foster a sustainable work promotion mechanism.

Financial institutions should further recognize the importance of the building of the credit systems of MSBs and rural areas, and cooperate proactively to build a sound working mechanism. Such system building should be combined with the improvement of financial services for MSBs and the agricultural sector, rural areas and rural people, with strengthened innovation in financial products and services based on the credit system building, to further improve financial services for them and

support the healthy development of the real economy.

2. Implementing the requirements in an active and steady manner. Adhering to the principle of coordinated efforts and step-wise implementations, the work should be actively pushed forward at a carefully controlled pace. Intensive research should be conducted in light of the reality to formulate practical work plans and regulations. Experience should be continuously summarized so as to improve relevant policy measures.

3. Stepping up exchanges and learning. An application-oriented stance should be taken to explore realistic, feasible working mechanisms and approaches and advance all tasks. The pilot zone construction should be strengthened to leverage the exemplary role of pilot zones and promote mutual communications and learnings.

The Shanghai Head Office, branches, operations offices as well as central sub-branches in capital cities of provinces (autonomous regions) of the PBC should circulate this Opinions to urban commercial banks, rural commercial banks, rural cooperative banks, urban and rural credit cooperatives, village banks, loan companies, rural mutual cooperatives and micro-credit companies in their respective jurisdictions.

Annex: List of Pilot Zones for the Building of Credit Systems for MSBs and Rural Areas

The People's Bank of China

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Annex

List of Pilot Zones for the Building of Credit Systems for MSBs and Rural Areas

No.	Regions	Pilot zones for the building of credit systems for MSBs	Pilot zones for the building of credit systems for rural areas
1	Beijing	Zhongguancun National Independent Innovation Demonstration Zone	/
2	Tianjin	Tianjin Binhai Hi-Tech Industrial Development Area	/
3	Hebei	Zhangjiakou City	Suning County
4	Shanxi	Jinzhong City	Xiaoyi City
5	Inner Mongolia	Chifeng City	Zhengxiangbai Banner
6	Liaoning	Panjin City	Beipiao City
7	Jilin	Liaoyuan City	Helong City
8	Heilongjiang	Daqing City	Keshan County
9	Shanghai	Pudong New District	/
10	Jiangsu	Changzhou City, Wuxi City	Yizheng City
11	Zhejiang	Jiande City, Taizhou City	Lishui City
12	Anhui	Huainan City	Jinzhai County, Tongcheng City
13	Fujian	Quanzhou City	Sha County
14	Jiangxi	Pingxiang City	Suichuan County, Xin'gan County
15	Shandong	Jiaozhou City, Jining City	Wulian County
16	Henan	Tangyin County	Pingqiao District of Xinyang City, Shangcai County
17	Hubei	Donghu National Innovation Demonstration Zone	Songzi City
18	Hunan	Changsha National Biological Industrial Base	Mayang Miao Autonomous County
19	Guangdong	Jiangmen City	Meizhou City, Yu'nan County
20	Guangxi	Liuzhou City	Tiandong County
21	Hainan	/	Sanya City
22	Chongqing	Qianjiang District	Ba'nan District
23	Sichuan	Suining City, Mianyang City	Huili County
24	Guizhou	/	Xingren County
25	Yunnan	/	Menghai County
26	Tibet	/	Qiongjie County
27	Shanxi	Yan'an City	Gaoling County
28	Gansu	Pingliang City	Qingyang City
29	Qinghai	Haixi Prefecture	Haidong City
30	Ningxia	Wuzhong City	Pingluo County
31	Xinjiang	Shihezi City	Yining County