

**Yinfa No. 423 [1996], Notice of the People's Bank of China for Interim Provisions on the  
Administration of the Interbank Foreign Exchange Market**

The branches of the People's Bank of China in all provinces, autonomous regions, municipalities directly under the Central Government, and cities under separate state planning; the branches of the State Administration of Foreign Exchange in all provinces, autonomous regions, municipalities directly under the Central Government, cities under separate state planning, and special economic zones; China Foreign Exchange Trade System; and the head offices of all designated Chinese-funded foreign exchange banks:

For the purposes of regulating transactions in the interbank foreign exchange market, maintaining fair and impartial competition in the interbank foreign exchange market, and guaranteeing the stable operation of the interbank foreign exchange market, the People's Bank of China has developed the *Interim Provisions on the Administration of the Interbank Foreign Exchange Market*, which are hereby issued to you for your diligent compliance and implementation.

Annex: Interim Provisions on the Administration of the Interbank Foreign Exchange Market

The People's Bank of China

November 29, 1996

**Interim Provisions on the Administration of the Interbank Foreign Exchange Market**

**Chapter I General Provisions**

**Article 1** The Provisions are developed in accordance with the *Regulation of the People's Republic of China on Foreign Exchange Administration* for the purposes of regulating and developing China's interbank foreign exchange market and protecting the legitimate rights and interests of the parties to transactions.

**Article 2** The “interbank foreign exchange market” (hereinafter referred to as the “foreign exchange market”) in the Provisions means the trading market in which transactions between RMB and foreign currencies are conducted through the China Foreign Exchange Trade System (hereinafter referred to as the CFETS) by domestic financial institutions, under the approval of the State Administration of

Foreign Exchange (SAFE), to provide foreign exchange services (including banks, non-banking financial institutions and foreign-funded financial institutions).

No domestic financial institutions may conduct transactions between RMB and foreign currencies through channels other than the CFETS.

**Article 3** The foreign exchange market shall be regulated by the SAFE as authorized by the People's Bank of China (PBC).

**Article 4** The CFETS shall be responsible for the organization and daily business management of the foreign exchange market under the supervision of the SAFE.

**Article 5** Those engaging in foreign exchange transactions must abide by laws and administrative regulations, and adhere to the principles of openness, fairness, justice, and good faith.

## **Chapter II Establishment and Regulation of Market Organizations**

**Article 6** The CFETS is a non-profit incorporated public institution that conducts independent accounting under the leadership of the PBC.

**Article 7** The primary functions of the CFETS are:

- (1) providing and maintaining the interbank foreign exchange trade system;
- (2) organizing the purchase and sale of foreign exchange trading currencies and products;
- (3) conducting the clearing and settlement of foreign exchange transactions;
- (4) providing information services in the foreign exchange market; and
- (5) performing other functions as authorized by the SAFE.

**Article 8** The CFETS may establish sub-centers according to service demands, and the formation or cancellation of sub-centers must be reported to the SAFE for approval.

**Article 9** The CFETS shall implement the membership system and only members can participate in transactions in the foreign exchange market.

**Article 10** The congress of members is the supreme body of the CFETS and shall be convened once a year. The meetings shall be convened by the council of the CFETS.

**Article 11** The CFETS shall set up a council to be the permanent body of the congress of members when the congress is not in session.

**Article 12** The council shall consist of not less than nine persons, among whom non-member directors may not be less than one third of the number of council members. Among member directors, members that are Chinese-funded institutions may not be less than one third of the number of council

members. The term of office of a council member shall be two years and each member director may not be re-appointed for more than two terms.

**Article 13** Member directors shall be elected by the congress of members and non-member directors shall be nominated by the SAFE and elected by the congress of members.

**Article 14** The council shall have one chairman who shall be a non-member director. The chairman shall be nominated by the SAFE and elected by the council. Three vice chairmen shall be elected by the council, of whom one shall be a non-member director, and the remaining two shall be member directors.

### **Chapter III Management of Members**

**Article 15** A domestic financial institution may become a member of the CFETS after submitting an application, which is approved by the council of the CFETS and put on filing by the SAFE. A member's application for withdrawal shall also be subject to approval by the council of the CFETS and be reported to the SAFE for filing.

**Article 16** The traders selected and designated by members may take their posts to participate in transactions only after they have received the training of and the permit issued by the CFETS.

**Article 17** Members shall pay membership fees to the CFETS as required.

**Article 18** Members shall comply with the laws and regulations of the state on foreign exchange administration and accept the administration of the CFETS.

### **Chapter IV Regulation of Trading Activities**

**Article 19** Foreign exchange transactions among members must be conducted through the CFETS, and foreign exchange transactions among non-members must be conducted through members qualified as agents.

The CFETS itself shall not engage in foreign exchange transactions.

**Article 20** The qualifications of members to serve as agents for non-members to conduct foreign exchange transactions shall be subject to approval by the CFETS.

**Article 21** For trading prices, direct quotations shall be adopted.

**Article 22** The following matters in market transactions shall be reported to the SAFE for approval:

- (1) Trading methods.
- (2) Trading hours.

(3) Trading currency and products.

(4) Clearing methods.

(5) Other matters provided for by the SAFE.

**Article 23** The CFETS and its entity members shall guarantee that the foreign exchange and RMB funds used for clearing are settled and entered into accounts within the prescribed time limit.

**Article 24** The CFETS may collect handling charges from both parties to transactions and the rates for the handling charges must be reported to the SAFE for approval.

**Article 25** The SAFE is authorized by the PBC to set and adjust the maximum floating range of daily trading price in the foreign exchange market.

**Article 26** The PBC will publish the RMB market exchange rate for the current day according to the price formed in the foreign exchange market, and foreign exchange transactions shall be conducted within the prescribed daily maximum price floating range according to the market exchange rate of the current day.

**Article 27** The PBC may, according to the requirements of monetary policies, trade in foreign currencies in the foreign exchange market, adjust foreign exchange supply and demand, and stabilize price in the foreign exchange market.

## **Chapter V Legal Liability**

**Article 28** Where a member violates the provisions on foreign exchange administration, or bylaws or business rules of the CFETS, the SAFE has the right to circulate a notice of criticism of it, suspend its trading, or cancel its membership, and any economic loss so caused shall be borne by the member.

**Article 29** Where a trader violates the trading rules of the CFETS, the CFETS has the right to impose punishments such as giving a warning, circulating a notice of criticism, and disqualifying for trading on the trader. If any economic loss has been caused, the trader shall assume civil liability, and the economic loss shall be borne by the entity member.

**Article 30** Where the CFETS commits any of the following conduct, any economic loss so caused shall be borne by the CFETS, and the person in charge shall be held liable:

(1) Changing without authorization the trading hour, trading method, trading currency and product, and/or clearing methods.

(2) Delaying the appropriation of clearing funds without any justified reason.

(3) Reporting false information on transactions to the competent authority at the higher level.

(4) Violating other provisions of the PBC or the SAFE.

**Article 31** Where any employee of the CFETS commits any of the following conduct, the council of the CFETS has the right to take administrative sanctions such as giving a warning, circulating a notice of criticism, and dismissal against the employee; if any economic loss has been caused, the employee shall assume civil liability; and if the case constitutes a crime, the employee shall be held criminally liable in accordance with the law.

(1) Taking advantage of his or her position to embezzle, misappropriate or otherwise illegally possess public property.

(2) Neglecting duty, thus causing any loss to the foreign exchange market.

(3) Divulging any internal information that is not allowed to be released to the public.

## **Chapter VI Supplemental Provisions**

**Article 32** The CFETS shall develop its bylaws and business rules in accordance with the Provisions and submit them to the SAFE for approval before the implementation thereof.

**Article 33** The Provisions shall be subject to interpretation by the SAFE.

**Article 34** The Provisions shall come into force on the date of issuance.