THE PEOPLE'S BANK OF CHINA

ANNUAL REPORT

2016

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GOVERNOR'S ADDRESS

In 2016, the international situation was volatile and complex, with instabilities and uncertainties looming large. The overall domestic economic performance stabilized and turned for the better and economic restructuring accelerated. However, the economy was still facing inadequate endogenous growth drivers, imbalances between overcapacity and upgrading of the demand structure, and the build-up of financial risks. Under the leadership of the Central Committee of the Communist Party of China (CPC) and the State Council and adhering to the guideline of seeking progress while maintaining stability, the PBC continuously improved macroeconomic management, comprehensively deepened financial reforms, and effectively prevented financial risks, achieving an energetic good start for the 13th Five-Year Plan.

The sound monetary policy was better targeted and more effective

Given the changing structure and the supply and demand of liquidity in the banking system, the PBC adopted a mix of policy instruments, including open market operations, liquidity adjustment instruments, and a reserve requirement ratio (RRR), to maintain adequate liquidity. The differentiated and dynamic reserve adjustment mechanism was "upgraded" to a macro-prudential assessment (MPA) mechanism, and full coverage of macro-prudential regulation of cross-border financing was comprehensively implemented so as to enhance countercyclical adjustments. The PBC made continued efforts to bring into full play the positive incentive role of the targeted RRR cut and made reasonable arrangements for central-bank lending to support the agricultural sector, small and micro-sized enterprises, and poverty alleviation so as to further improve the credit structure. The PBC further refined the financial management policy framework with the two pillars of "monetary policy + macro-prudential policy" and created an appropriate money and financial environment for stabilizing growth and promoting supply-side structural reform. By end-2016, the supply of broad money had risen by 11.3 percent year on year and incremental all-system financing aggregates had reached RMB17.8 trillion.

Financial support for supply-side structural reform produced results

While making efforts to appropriately expand aggregate demand the PBC earnestly promoted financial support for the supply-side structural reform. To reduce excess capacity, the PBC made concerted efforts to provide financial services to reduce capacity in the steel and coal industries and to bring about a smooth corporate debt financing transition in these industries. To reduce overstocking, the PBC improved cityspecific mortgage policies and strengthened regulation of real estate financing in key cities so as to support the reasonable housing demands of residents. To reduce leveraging, the PBC played an active role in designing deleveraging policies and in guiding commercial banks to carry out debtequity swaps in a market-oriented manner and in compliance with the law. To lower financial costs for enterprises, in a timely manner the PBC lowered the interest rates of the medium-term liquidity facility (MLF) so as to guide market rates downward and it properly expanded corporate bond financing so as to lower corporate financing costs. To address the weak points in the economy, the PBC improved the targeted poverty alleviation policy system and promoted financial support for economic development and social stability in the poverty-stricken and economically-backward regions.

Financial reform and the opening-up made headway

The PBC has been enhancing the vitality and dynamism of financial development by deepening the reform and opening-up. The market-based reform of the RMB exchange-rate regime was promoted to make it more rule-based, transparent, and market-oriented. Integrated management of both domestic and foreign currencies in cross-border capital flows was strengthened and the trade and investment facilitation reform was deepened. Reform plans for development and policy financial institutions were implemented to strengthen their roles and functions. Efforts were made to launch convertible second-tier capital bonds, SDRdenominated securities, and other products on the interbank market to steadily promote pilots, such as the securitization of non-

performing assets and real estate investment trust funds, to expand the pool of issuers and the issuance size of panda bonds, and to allow more foreign investors to access the market and to remove their investment limits. The Shenzhen-Hong Kong stockconnect was launched based on joint efforts by the relevant authorities, and the pilot of the Shanghai-Hong Kong stock-connect was further optimized. The top-down systemic design of the commercial paper market made progress and a centralized national commercial paper trading platform was established. The launch of Shanghai Gold RMB-denominated centralized pricing enhanced China's influence on gold pricing in the international market.

Steady progress was made in preventing and mitigating financial risks

Facing financial vulnerabilities and the frequent onset of financial risks, the PBC, as a leading agency, focused on coordinating financial risk prevention and mitigation policies in key areas, improved regulatory arrangements for cross-market and crosssector financial services and various comprehensive businesses, worked on formulating normative standards for asset management businesses, and organized and conducted a special rectification campaign on internet financing risks. An assessment of deposit insurance risks was carried out and the rating results were applied. Relevant research was conducted to improve risk recognition and an early rectification mechanism for the deposit insurance system was implemented in a bid to explore the role of deposit insurance as a market-based resolution platform. Default risks in the bond market were mitigated and resolved in an active manner and the interests of bond investors were protected.

Participation in international financial cooperation expanded China's financial influence

The PBC continued its efforts to enhance China's influence in the arena of governance of international finance, with safeguarding China's national strategic interests as the fundamental starting point. Tapping its role as the G20 host, the PBC led a series of conferences on the finance track and at the Summit facilitated a key consensus, including coordinating macroeconomic policy, improving international financial architecture, promoting financial sector reform, and developing financial inclusion and green finance. Efforts were made to ensure smooth inclusion of the RMB into the SDR basket and to continuously optimize policies and institutional arrangements with respect to international use of the RMB. The PBC led efforts to implement the Belt and Road Initiative and provided financial support for going-global Chinese enterprises.

Financial services and management improved significantly

Economic and social development depends on financial services and modern management. In 2016, the PBC made remarkable progress to improve financial legislation, to compile comprehensive financial-sector statistics, to conduct local treasury cash management, and to manage the central bank's balance sheet and income statement. Standardized operations of the payment and credit information systems improved significantly. New achievements were made in the financial industry related to science and technology, currency issuance and management, research on digital currency, combating illegal fund-raising and new illegal activities and crimes through the use of telecommunications technology and the Internet, and anti-money laundering and counter-terrorist financing. The coverage and availability of financial services and users' satisfaction further improved.

The year 2017 is an important year for implementation the 13th Five-Year Plan and promotion of the supply-side structural reform. In line with the overall deployment of the CPC Central Committee and the State Council, the PBC will focus on enhancing the quality and efficiency of economic development, regard supply-side structural reform as its principal task, maintain a sound and neutral monetary policy stance, strengthen guidance of expectations, and put in place greater emphasis on financial risk prevention so as to fulfill the mandates of the central bank in a creative manner and to welcome the successful convening of the 19th CPC Congress with an excellent scorecard!

> Governor of the People's Bank of China

MANAGEMENT OF THE PEOPLE'S BANK OF CHINA



Zhou Xiaochuan

Governor of the PBC



Yi Gang Deputy Governor



Chen Yulu Deputy Governor



Pan Gongsheng Deputy Governor Administrator of the SAFE



Fan Yifei Deputy Governor



Wang Hongjin Commissioner of Discipline Inspection



Yin Yong Deputy Governor



Zhang Xiaohui Assistant Governor



Liu Guoqiang Assistant Governor

Changes in the composition of PBC management

Zhang Tao	In April 2016, Zhang Tao was appointed Deputy Governor of the PBC; In	
	September 2016, he was appointed Deputy Managing Director of the IMF and	
	therefore he no longer served as Deputy Governor of the PBC.	
Wang Hongjin	In September 2016, Wang Hongjin was appointed Commissioner of Discipline	
	Inspection of the PBC.	
Yin Yong	In December 2016, Yin Yong was appointed Deputy Governor of the PBC.	
Liu Guoqiang	In December 2016, Liu Guoqiang was appointed Assistant Governor of the PBC.	
Wang Huaqing	In September 2016, Wang Huaqing no longer served as Commissioner of	
	Discipline Inspection of the PBC.	
Guo Qingping	In December 2016, Guo Qingping no longer served as Deputy Governor of the	
	PBC.	
Yang Ziqiang	In December 2016, Yang Ziqiang no longer served as Assistant Governor of the	
	PBC.	

MEMBERS OF THE MONETARY POLICY COMMITTEE OF THE PBC

Chairman:	Zhou Xiaochuan	Governor of the People's Bank of China
Member:	Xiao Jie	Deputy Secretary-General of the State Council
	Lian Weiliang	Vice Chairman of the National Development and Reform Commission
	Shi Yaobin	Vice Minister of the Ministry of Finance
	Yi Gang	Deputy Governor of the People's Bank of China
	Pan Gongsheng	Deputy Governor of the People's Bank of China Administrator of the State Administration of Foreign Exchange
	Zhang Xiaohui	Assistant Governor of the People's Bank of China
	Ning Jizhe	Vice Chairman of the National Development and Reform Commission
		Director of the National Bureau of Statistics
	Shang Fulin	Chairman of the China Banking Regulatory Commission
	Liu Shiyu	Chairman of the China Securities Regulatory Commission
	Tian Guoli	President of the China Banking Association
	Fan Gang	Vice Chairman of the Chinese Research Society for Economic System Reform, and Professor
	Huang Yiping	Associate Dean and Professor at Peking University's National School of Development
	Bai Chongen	Associate Dean and Professor at Tsinghua University's School of Economics and Management

Note: In March 2016, with the approval of the State Council, Ning Jizhe and Liu Shiyu were appointed members of the Monetary Policy Committee (MPC), and Wang Baoan and Xiao Gang were no longer members of the MPC.

ORGANIZATIONAL STRUCTURE OF THE PBC

ORGANIZATIONS OF THE PBC (NUMBER) THE PBC HEAD OFFICE (PBCHO)

Departments and Bureaus of the Head Office	25
Enterprises and Institutions Directly under the PBC	21
Overseas Offices	11
Departments of the Shanghai Head Office	13
Regional Branches and Operations Offices	s 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

General Administration Department (General Office of the CPC PBC Committee, Financial Regulatory Coordination Office)
Legal Affairs Department
Monetary Policy Department
Monetary Policy Department II
Financial Market Department
Financial Stability Bureau
Statistics and Analysis Department
Accounting and Treasury Department
Payment System Department
Technology Department
Currency, Gold, and Silver Bureau
State Treasury Bureau
International Department (Office of Hong Kong, Macao, and Taiwan Affairs)
Internal Auditing Department
Human Resources Department (Organization Division of the CPC PBC Committee)
Research Bureau
Credit Information System Bureau
Anti-money Laundering Bureau (Security Bureau)
Financial Consumer Protection Bureau
Education Department of the CPC PBC Committee
CPC Committee of the PBC Head Office (Office of Inspections)
Retired Staff Management Bureau
Office of Senior Advisors
Staff Union Committee
Youth League

GOVERNMENT AGENCIES DIRECTLY UNDER THE PBC

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

State Administration of Foreign Exchange	General Administration Department (General Office of the CPC Committee, PBCSHO)
	Open Market Operations Department
	Financial Market Management Department
	Financial Stability Department
	Statistics and Research Department
	International Department
	Financial Services Department I
	Financial Services Department II
	Foreign Exchange Management Department
	Human Resources Department (Organization and Education Division of the CPC Committee, PBCSHO)
	Discipline Enforcement and Supervision Department (Internal Auditing Division)
	RMB Cross-Border Business Department
	Financial Consumer Protection Department
	Hangzhou Sub-branch
	Fuzhou Sub-branch
	Ningbo Sub-branch
	Xiamen Sub-branch

PBC BRANCHES AND OPERATIONS OFFICES AND SUB-BRANCHES IN PROVINCIAL CAPITAL CITIES AND PROVINCIAL-LEVEL MUNICIPALITIES UNDER THE ADMINISTRATION OF THESE BRANCHES

Tianjin Branch	Guangzhou Branch
Shijiazhuang Sub-branch	Nanning Sub-branch
Taiyuan Sub-branch	Haikou Sub-branch
Hohhot Sub-branch	Shenzhen Sub-branch

Shenyang Branch Changchun Sub-branch Harbin Sub-branch Dalian Sub-branch

Nanjing Branch Hefei Sub-branch

Jinan Branch Zhengzhou Sub-branch Qingdao Sub-branch

Wuhan Branch Nanchang Sub-branch Changsha Sub-branch Chengdu Branch Guiyang Sub-branch Kunming Sub-branch Lhasa Sub-branch

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

Operations Office (Beijing)

Chongqing Operations Office

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

In 2016, the world witnessed a continuous economic recovery and frequent occurrences of "black swan events" in the economic, political, and social arenas. Populism, de-globalization sentiments, and protectionism were on the rise, and geopolitical uncertainties increased. The US economy was doing relatively well. However, there was uncertainty about the policy stance of the new administration. The euro area economy was improving but it faced a refugee problem and banking sector risks. Japan's economy was recovering slowly but with limited policy space. The British economy remained stable after the Brexit vote but uncertainties remained with regard to the Brexit arrangement. Growth of the emerging market economies stabilized, although they still faced adjustment and transformation challenges.

Developments in the major economies

Recovery of the major economies continued to diverge. The US economy was recovering in 2016, with an annual GDP growth rate of 1.6 percent. Consumer spending was steadily increasing. Inflation grew slightly, with the inflation rate since September above 1.5 percent. The labor market was improving, with the unemployment rate declining to 4.6 percent in November, the lowest level since August 2007. However, some short-term statistics, such as new non-farm payroll employment, indicated volatility. Rising domestic demand and exports improved the economies in the euro area and deflationary pressures eased. In December the HICP increased 1.1 percent year on year. The labor market improved, with the unemployment rate declining to 9.6 percent in December, the lowest level since May 2009.Yet the output gap remained obvious. The problem of the inflow of refugees and banking risks had negative impacts on the economic recovery. Japan introduced a series of stimulus policies. However, its economic growth was still sluggish. The annualized GDP growth rate was 1.2 percent quarter on quarter in Q4 and the annual GDP growth rate was 1.0 percent. After remaining in negative territory for six months, the CPI began to rise. The labor market was stable, but household consumption continued to decline. Exports and investments were sluggish. In the UK, data on the growth rate, inflation, and unemployment were stable after the referendum on June 23, 2016, but the impact of the Brexit vote on the economy remained uncertain.

Economic growth in some emerging market economies (EMEs) was stable, but the EMEs as a whole faced adjustment and transformation challenges. Growth in India remained rapid, with an annual growth rate of 7.1 percent, but problems such as high non-performing loans (NPLs), weak private investments, and low capacity utilization still existed. Due to rising commodity prices, economic growth in Russia and Brazil stabilized, with the size of the contraction shrinking and inflation remaining under control. In the context of sluggish growth in global demand and the strong USD, many EMEs faced risks of weak external demand and volatile capital flows. They were under pressure to undergo adjustments and transformations.

Overview of global financial markets

The USD index rose. The yen gained some strength against the USD, whereas the euro and the sterling were weak against the USD. The EME currencies diverged. The USD index rose to 102.38 at year-end, up 3.74 percent year on year. Due to risk aversion and arbitrage, the yen/USD ratio was up 2.93 percent year on year to 116.87. The euro dropped to 1.05 USD/euro, down 3.2 percent. Affected by the Brexit vote, the sterling fell 16.3 percent to 1.23 GBP/USD. On the EME side, the Russian ruble, Brazilian real, and South African rand appreciated against the USD by 19.08 percent, 21.07 percent, and 12.6 percent, respectively. The Indian rupee lost 2.06 percent against the USD. The Mexican peso depreciated 17.11 percent year on year against the USD due to the election of Trump as president. The Turkish lira lost 17.3 percent against the USD due to domestic turbulence.

The yields of government securities in the major economies continued to diverge. The yields of 10-year treasury notes were 2.43 percent at year-end. The yields of 10year government bonds in Japan, Germany, France, and the UK were 0.049 percent, 0.207 percent, 0.682 percent, and 1.24 percent, respectively, down 22bp, 43bp, 31bp, and 72bp against the level at end-2015. On the EME side, the yields of 10-year government bonds in India, Russia, and Brazil jumped 124bps, 136bps, and 503bps, respectively, while those of Mexico and Turkey rose 118bps and 62bps, respectively.

The stock markets rallied in the major economies. The Dow Jones Industrial Average, Nikkei 225, Stoxx50, Dax, and FTSE100 increased by 13.42 percent, 0.42 percent, 0.7 percent, 6.87 percent, and 14.43 percent year on year, respectively. The stock indices climbed 1.95 percent, 15.32 percent, 38.92 percent, and 52.22 percent year on year in India, Indonesia, Brazil, and Russia, respectively.

Commodity markets recovered. Volatility in the prices of major commodities continued to rise. The OPEC agreement to cut oil output in November 2016 pushed up Crude oil prices. At year-end, the prices of Brent Oil and WTI Oil were USD56.82 and USD53.72 per barrel, up 52.41 percent and 45.03 percent, respectively. Gold prices bounced back, with spot prices reaching USD1150 per ounce at year-end, up 8.46 percent year on year.

The world economic outlook and major risks

In the updated January 2017 *World Economic Outlook*, the IMF did not change its October 2016 projection on world growth. World growth is expected to rise from 3.1 percent in 2016 to 3.4 percent in 2017. But the IMF revised upward its growth projection for the advanced economies and revised downward its projection for the EMEs and the developing economies. Looking ahead, the global economy might face the following risks:

Rising populism, de-globalization, and protectionism might pose major risks to a global economic recovery. Recent developments in global politics and the inward-looking policies adopted by some economies have led to a resurgence of global protectionism. If left unchecked, rising protectionism will slow down or even reverse international policy coordination and globalization, hinder trade liberalization and labor and capital movements, and possibly trigger unsustainable policies, which will put a drag on global productivity and economic growth and will intensify financial market volatility.

There is uncertainty about the economic and trade policies of the new US administration. Many details need to be clarified. The market expected that the new administration would adopt an expansionary fiscal policy, featuring tax cuts and the construction of infrastructure which would boost US growth and global demand. However, if handled inappropriately, financing problems will intensify the fiscal and debt burdens of the new administration. At the same time, an expansionary fiscal policy might increase inflation, leading to a sooner-than-expected interest-rate hike by the Federal Reserve, and some vulnerable EMEs with heavy external debt burdens and limited policy buffers will be exposed to the risks of a currency depreciation and capital outflows.

The banking industry continued to face risks. The limited profit margins and high NPLs in some countries might have a negative impact on investments. The Italian parliament approved a 20-billioneuro bail-out plan, but whether there will be a smooth implementation remains to be seen. Meanwhile, the Deutsche Bank was slapped with a USD7.2 billion fine by the US Department of Justice for its misconduct in sales of MBS from 2004 to 2007, and it was fined USD629 million for suspicion of money laundering by US and UK regulators. Deutsche Bank, one of the most important banks in Europe, has recorded losses for two consecutive years. If the huge fine negatively affects the bank's capital and future operations, it will put a drag on the European banking industry, and even on the real economy.

Geopolitical tensions will possibly occur in many areas, leading to accumulated risk factors. Political competition among the major powers might further complicate the geopolitical environment in the Middle East. The refugee crisis in Europe, the terrorist attacks, and the power vacuum caused by the impeachment of Park Geun Hye might also lead to geopolitical tensions and an accumulation of risks and uncertainties.

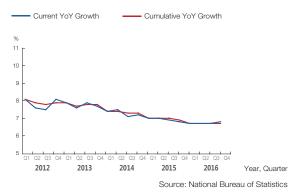
CHINA'S MACRO-ECONOMY

Facing a complex international and domestic economic and financial environment in 2016, the Chinese government, by insisting on its overall strategy of seeking steady progress in economic management and promotion of the supplyside structural reform as a key priority, implemented a proactive fiscal policy and a sound monetary policy, moderately expanded aggregate consumption, and guided social expectations. The national economy stabilized with steady growth and achieved a good start for the 13th Five Year Plan period.

Economic growth remained stable, and the industrial structure was undergoing an optimization

According to the preliminary accounting of the National Bureau of Statistics, China's Gross Domestic Product (GDP) in 2016 reached RMB74.41 trillion, an increase of 6.7 percent year on year at comparable prices, which meets the expected growth target set at the beginning of the year. Quarterly growth was 6.7 percent, 6.7 percent, 6.7 percent, and 6.8 percent, respectively, maintaining a stable trend (Figure 1). In terms of sectors, the added value of the primary sector was RMB6.37 trillion, up by 3.3 percent; the added value of the secondary sector was RMB29.62 trillion, up by 6.1 percent; and

Figure 1 Economic Growth in China



the added value of the tertiary sector was RMB38.42 trillion, up by 7.8 percent.

The industrial structure was further optimized. In 2016, the share of the service sector reached 51.6 percent of GDP, 1.4 percentage points higher than that in the previous year and 11.8 percentage points higher than that in the secondary sector. This was the second consecutive year that the share of the service sector in GDP was over 50 percent. The share of the primary sector in GDP was 8.6 percent, down 0.3 percentage point against the previous year; the share of the secondary sector in GDP was 39.8 percent, down 1.1 percentage points from the previous year.

Industrial production grew steadily, and business efficiency improved significantly

In 2016, total industrial added value was RMB24.79 trillion, an increase of 6.0 percent year on year. The industrial added value of companies above a designated size increased by 6.0 percent year on year, which was roughly the same as the growth rate of all industrial added value. Among the companies above a designated size, the added value of the mining sector decreased by 1.0 percent, the added value of the manufacturing sector increased by 6.8 percent, and the added value of the production and supply of electricity, thermal power, gas, and water increased by 5.5 percent. Profits of enterprises above a designated size were RMB6.88 trillion, that is, an increase of 8.5 percent year on year, reversing the previous year's decline (-2.3 percent). In terms of categories, profits realized by the mining industry totaled RMB182.5 billion, down 27.5 percent year on year; profits in the manufacturing sector were RMB6.24 trillion, an increase of 12.3 percent year on year; and profits in the production and supply of electricity, thermal power, gas, and water industries were RMB458 billion, down 14.3 percent year on year. The profit margin of the main businesses of enterprises above a designated size was 5.97 percent, 0.19 percentage point higher than that in the previous year.

The contribution of consumption to GDP moved up and the demand structure improved continuously

Consumption grew in a generally stable manner and became a main engine to support final consumption expenditures, contributing 64.6 percent to economic growth, up 4.7 percentage points over the previous year. Total retail sales of consumer goods reached RMB33.23 trillion, up 10.4 percent year on year, that is, 0.3 percentage point less than that in the previous year; after considering the price factor, the actual retail increase was 9.6 percent, down 1 percentage point from the previous year (Figure 2). In the urban areas, retail sales of consumer goods reached RMB28.58 trillion, up 10.4 percent year on year; and in the rural areas, retail sales of consumer goods reached RMB4.65 trillion, up 10.9 percent year on year. In terms of consumption types, the retail sales of goods amounted to RMB29.65 trillion, an increase of 10.4 percent year on year; and sales of catering services amounted to RMB3.58 trillion, an increase of 10.8 percent year on year. Online retail sales during the year totaled RMB5.16 trillion, an increase of 26.2 percent year on year, of which retail sales of online goods totaled RMB4.19 trillion, an increase of 25.6 percent year on year, accounting for 14.1 percent of total retail sales in the country.

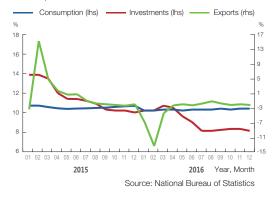
Investment growth stabilized amid a slowdown. Throughout the year, total investments in fixed assets amounted to RMB60.65 trillion, up by 7.9 percent year on year, which was 1.9 percentage points less than that in the previous year, and actual growth was 8.6 percent, down 3.2 percentage points from the previous year (Figure 2) after considering the price factor. Excluding investments by farmers, fixed asset investments totaled RMB59.65 trillion, an increase of 8.1 percent, of which investments in the primary sector totaled RMB1.88 trillion, an increase of 21.1 percent year on year; investments in the secondary sector totaled RMB23.18 trillion, an increase of 3.5 percent; and investments in the tertiary sector totaled RMB34.58 trillion, up 10.9 percent. Investments in real estate development totaled RMB10.26 trillion, an increase of 6.9 percent year on year, that is, 5.9 percentage points higher than that in the previous year; after taking into consideration the price factor, actual growth was 7.5 percent, that is, 4.7 percentage points higher than that in the previous year.

The decline in the trading volume of imports and exports was mitigated. Through out the year, the total volume of imports and exports of goods amounted to RMB24.34 trillion, down 0.9 percent year on year and representing a decrease of 6.1 percentage points from that in the previous year. Exports amounted to RMB13.85 trillion, down 1.9 percent year on year (Figure 2), and imports amounted to RMB10.49 trillion, up 0.6 percent year on year. The trade surplus in goods was RMB3.35 trillion, down RMB330.8 billion from that in the previous year.

Consumer Prices rose moderately, while the Industrial Producer Price Index reversed its declining trend

In 2016, the Consumer Price Index (CPI) rose 2.0 percent year on year, up 0.6 percentage point from that in the previous year, with quarterly gains of 2.1 percent, 2.1 percent, 1.7 percent, and 2.2 percent, respectively (Figure 3). In terms of food and

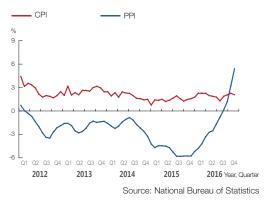
Figure 2 Cumulative Growth of Consumption, Investments and Exports



non-food categories, food price rose 4.6 percent, 2.3 percentage points more than that in the previous year; non-food price rose 1.4 percent, 0.4 percentage point more than that in the previous year; the price of consumer goods rose 1.9 percent, 0.7 percentage point more than that in the previous year; and service price rose 2.2 percent, 0.2 percentage point more than that in the the previous year.

The industrial Producer Price Index (PPI) was down 1.4 percent year on year, that is, 3.8 percentage points less than that in the previous year, with quarter-onguarter increases of -4.8 percent, -2.9 percent, -0.8 percent, and 3.3 percent, respectively (Figure 3). In September 2016, the PPI ended its decline from the previous fifty-four consecutive months and began to rise month by month, with a rise of 5.5 percent in December. In terms of production goods and living materials, the price of production goods was down by 1.8 percent, 4.9 percentage points less than that in the previous year, and the price of living materials remained unchanged, only 0.3 percentage point less than that in the





previous year. The Purchasing Price Index of Raw Materials, Fuel, and Power (PPIRM) was down 2.0 percent year on year, 4.1 percentage points less than that in the previous year, with quarterly gains of -5.8 percent, -3.9 percent, -1.6 percent, and 3.6 percent, respectively.

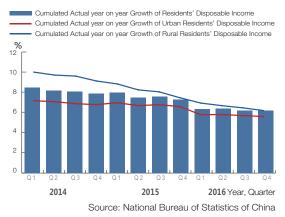
Overall employment was stable and the income of residents was growing steadily

In 2016, newly added jobs in cities and towns totaled 13.14 million, an increase of 20 000 jobs over that in the previous year. The registered unemployment rate in the urban areas was 4.02 percent, down 0.03 percentage point from that in the previous year. According to a statistical analysis of manpower supply and demand in about 100 cities, conducted by the China Human Resources Market Information Monitoring Center, data from public employment service agencies indicated that in 2016 demand for labor in the labor market still slightly exceeded the supply of laborers. The ratio of job vacancies-to-jobseekers during the four quarters were 1.07, 1.05, 1.10, and 1.13, respectively.

Nationwide, per capita disposable income was RMB23 821, an increase of 8.4 percent year on year and an actual increase of 6.3 percent year on year after taking into consideration the price factor. In the urban areas, the per capita disposable income of urban residents was RMB33 616, an increase of 7.8 percent and an actual increase of 5.6

percent after taking into consideration the price factor. In the rural areas, the per capita disposable income of rural residents was RMB12 363, an increase of 8.2 percent and an actual increase of 6.2 percent after taking into consideration the price factor. The per capita income gap between urban and rural residents was 2.72 times, down 1 percent over that in the previous year (Figure 4).

Figure 4 Growth of Residents' Income



Growth of fiscal revenue and expenditures slowed down

Through out of 2016, general public revenue was RMB15.96 trillion, up 4.5 percent year on year, indicating a deceleration of 1.3 percentage points as compared with that in the previous year. Specifically, central government revenue was RMB7.24 trillion, up 1.2 percent year on year as calculated based on a comparable caliber¹, and local fiscal revenue was RMB8.72 trillion, up 7.4 percent as calculated based on a comparable caliber. In terms of the income structure, tax revenue was RMB13.04 trillion, an increase of 4.3 percent year on year; non-tax revenue was RMB2.92

^{1.} Comparable caliber increase here is referred to the adjusted increase calculated in accordance with the new revenue-sharing system of a 50:50 proportion between the central government and the local government, which was adopted after the roll-out of VAT Transformation Pilot Program. The same below.

trillion, an increase of 5.0 percent year on year. National general public expenditures totaled RMB18.78 trillion, an increase of 6.4 percent year on year but a decline of 6.8 percentage points as compared with that in 2015. Of this total, central government expenditures totaled RMB2.74 trillion, an increase of 7.3 percent; local fiscal expenditures totaled RMB16.04 trillion, an increase of 6.2 percent.

Macroeconomic outlook

Economic growth is expected to remain within a reasonable range. At present, the Chinese economy still faces complex and changing international and domestic environments. Internationally, beginning with the international financial crisis, the global economy has experienced a long period of gradual adjustments. On the one hand, the recovery is gradually improving, but on the other hand, protectionism, antiglobalization, and populism are on the rise and might result in a trade war. In addition, there are uncertainties about a rise in the US Fed interest rate and there are also potential risks in international financial markets. Domestically, the problems of overcapacity and the need for an upgrading of the consumption structure remain serious; the newly emerging industries still face obstacles in the regulatory system and the regulatory mechanisms, and the endogenous growth engine still needs to be strengthened; in some areas, financial risks are beginning to appear, and in some regions, difficulties still need to be overcome. However, the potential for national economic development is still huge. The new patterns of urbanization, the service industry, the high-end manufacturing industry, and consumption potentials are promising,

and the economy is resilient, with high potentials and leeway; and the fundamentals for long term growth have not changed. With a series of major policies introduced by the central government, especially the accelerated implementation of measures for the supplyside structural reform, the gradual increase in positive factors in the economy, the acceleration in the upgrading of the traditional growth engines, as well as the accumulation of new growth engines, economic growth potentials should be released and it is to be expected to drive Chinese economy to grow within a reasonable range.

Price stability is expected. The cost increases in domestic production, the price reform, and other factors will bring upward pressures on prices, and internationally, commodity prices may also have an impact. However, in the context that total demand is difficult to expand substantially, the problem of overcapacity is still prominent, the supply of agricultural products remains abundant, and there is no basis for a sustained rapid rise in the CPI, it is highly possible that prices will remain at a relatively stable level.

Employment will remain generally stable, and the income of residents is expected to continue to grow. While the service industry, which has a large job-creation capacity, has developed rapidly, reform of the commercial system, decentralization, and other reform measures will continue to release forces to vigorously promote "mass entrepreneurship and innovation". The emerging new technologies and the new business formats will create new jobs, which will result in constant employment stability and personal income growth.

CHINA'S FINANCIAL PERFORMANCE

In 2016, the PBC continued its prudent and sound monetary policy, which created a favorable monetary and financial environment for stabilizing growth and carrying out the supply-side structural reform. In general, liquidity in the banking system remained appropriate; growth of money and credit as well as that of all-system financing aggregates was steady and relatively rapid; the credit structure continued to improve; interest rates remained at low levels; the RMB exchange rate became more flexible; and there was a general equilibrium in the balance of payments. The overall monetary and financial environment was stable.

Monetary aggregates grew steadily at a relatively rapid pace

At year-end, the supply of outstanding broad money (M2) stood at RMB155.0 trillion, a year-on-year jump of 11.3 percent, 2 percentage points less than the growth at the end of the previous year. The supply of outstanding narrow money (M1) posted RMB48.7 trillion, a surge of 21.4 percent from the previous year and 6.2 percentage points more than the growth at the end of the last year. Outstanding money in circulation (M0) added 8.1 percent year on year to reach RMB6.8 trillion, up 3.2 percentage points compared with the growth at the end of the last year. Full-year net cash injections registered RMB508.7 billion, an increase of RMB213 billion compared with the corresponding period of the previous year.

All-system financing aggregates expanded modestly

At year-end, the stock of all-system financing aggregates posted RMB155.99 trillion, gaining 12.8 percent year on year, 0.3 percentage point more than the growth at the end of the previous year. For the year, the incremental all-system financing aggregates stood at RMB17.8 trillion, an increase of RMB2.4 trillion compared with the previous year. Broken down by type, total RMB loans to the real economy added RMB12.44 trillion, an increase of RMB1.17 trillion, far more than the growth in the previous year and accounting for 69.9 percent of the total new financing aggregates during the same period. Net enterprise bond financing stood at RMB3 trillion, a slight increase of RMB60.5 billion compared with the growth in the previous year, with the share of total new aggregate financing at 16.8 percent, down 2.2 percentage points compared with that in the previous year. Equity financing by non-financial enterprises on the domestic market posted RMB1.24 trillion, an increase of RMB482.6 billion compared with the growth during the previous year and accounting for 7 percent of the total new financing aggregates, an increase of 2 percentage points year on year. Entrusted loans and trust loans witnessed marked growth. Entrusted loans increased by RMB2.19 trillion, RMB594.3 billion more than the growth during the previous year, and they comprised 12.3 percent of the total new financing aggregates, adding 1.9 percentage points year on year. Trust loans expanded RMB859.3 billion, RMB815.9 billion more than the growth during the previous year and accounting for 4.8 percent of the total new financial aggregates, up 4.5 percentage points year on year. Undiscounted bankers' acceptances dropped substantially by RMB1.95 trillion, RMB896.4 billion more than the decline in the previous year.

Loans extended by financial institutions grew steadily and relatively rapidly

At year-end, outstanding local and foreign currency loans of all financial institutions reached RMB112.1 trillion, a year-on-year gain of 12.8 percent, down 0.6 percentage point compared with the growth at the end of the last year or an increase of RMB12.7 trillion compared with that at the start of the year and RMB981 billion more than the growth during the same period of the previous year. Outstanding RMB loans jumped 13.5 percent year on year to reach RMB106.6 trillion, 0.8 percentage point less than the growth at the end of the previous year, adding RMB12.65 trillion compared with that at the beginning of the year and RMB925.7 billion more than the growth during the same period of the previous year.

Deposit and lending rates dropped slightly in a stable manner

In December, the weighted average interest rate on loans to non-financial enterprises and other sectors was 5.27 percent, which was on par with that in the previous year. In particular, the weighted average interest rate on general loans was 5.44 percent, dipping 0.20 percentage point year on year, while that on bill financing edged up 0.58 percentage point from the previous year to reach 3.90 percent. A break down by the type of interest rates reveals that the share of loans at the benchmark rates or lower increased, whereas the share of loans with rates higher than the benchmark declined. Among general loans, the share of loans with rates lower than the benchmark went up 6.77 percentage points year on year to reach 28.22 percent.

Money market rates moved steadily, with the overall level of the money market rates increasing slightly

The weighted average of the 7-day pledged repo rate of interbank depository institutions (DR007) averaged 2.32 percent during the first quarter, but it rose steadily to about 2.35 percent during the second and third guarters, and then it fluctuated upward in the fourth quarter with slightly higher volatility. Due to factors such as volatility in guarter-end short-term funds and in the cash supply prior to the National Day holiday, the DR007 peaked briefly at 2.75 percent on September 29 at the end of the third quarter, and then it declined rapidly after the National Day holiday. In 2016, the overall level of money market rates increased moderately due to the combined influence of factors both at home and abroad, such as the recovery of economic fundamentals and changes in the global interest-rate landscape. In December, the interbank

lending rate and the weighted average repo rate in depository institutions stood at 2.39 percent and 2.31 percent, respectively, both adding 0.46 percentage point year on year.

The yield curve flattened and moved upwards, with the spread narrowing somewhat

At year-end, the yield of 1-year, 3-year, 5-year, 7-year, and 10-year government bonds advanced 30 bps, 22 bps, 11 bps, 12 bps, and 14 bps, respectively, compared with that at the beginning of the year. The yield spread between 10-year and 1-year government bonds narrowed by 16 bps compared with that at the beginning of the year, posting 36 bps. During the year, the bond market initially strengthened but thereafter it weakened. From the beginning of the year to early April, the yield of the bond market fluctuated; from early April to early June, the yield of the bond market went up moderately; from mid-June to mid-October, the yield of the bond market fell steadily, with the yields of medium and longterm bonds dropping most markedly; since the end of October, the bond market has witnessed some adjustments, with the yield curve of government bonds moving upwards.

Bond indices went up, whereas stock indices dropped

In 2016, the China Interbank Composite Bond Index rose from 171.19 points at the beginning of the year to 174.44 points at the end of the year, an increase of 3.25 points or 1.90 percent. The China Interbank Government Bond Index on the stock exchange climbed from 154.66 points at the beginning of the year to 159.79 points at the end of the year, a gain of 5.12 points or 3.31 percent. In January, the stock market indices plunged. The Shanghai Stock Exchange Composite Index fluctuated upwards after reaching its lowest point of 2 638 points, and it closed at 3 104 points at the end of the year, a loss of 435 points compared with the previous year. The Shenzhen Stock Exchange Component Index closed at 10 177 points at year-end, shedding 2 488 points compared with that at the end of the previous year. The Growth Enterprise Board (GEB) Index closed at 1 962 points, dropping 752 points from the end of the previous year.

The RMB exchange rate moved in both directions with greater flexibility

At year-end, the central parity of the RMB against the USD was PMB6.9370 per USD, a depreciation of 4 434 bps or 6.39 percent when compared with the end of the previous year. The RMB appreciated by a cumulative 19.31 percent against the USD between 2005, when the RMB exchange-rate regime reform was launched and the end of 2016. In 2016, the RMB weakened 2.90 percent against the euro and it weakened 9.59 percent against the Japanese yen. At year-end, the CFETS RMB exchange-rate index was 94.83, depreciating by 6.1 percent compared to that at the end of 2015. The RMB exchange-rate indices with reference to the BIS currency basket and the SDR currency basket were 96.24 and 95.52, respectively, depreciating by 5.4 percent and 3.4 percent, respectively, when compared with the end of 2015. According to estimates by the BIS, the nominal effective exchange rate of the RMB depreciated 5.85 percent in 2016,

but its real effective exchange rate depreciated by 5.73 percent.

The balance of payments still featured a current account surplus and a capital and financial account deficit, and cross-border capital flows tilted toward equilibrium

In 2016, the ratio of the current account surplus to GDP edged down by 0.9 percentage point from the previous year to reach 1.8 percent, remaining within a reasonable range. In particular, the goods trade surplus posted USD494.1 billion, sliding 14 percent compared with its record high in 2015, but it was still substantially higher than that in 2014 and prior years. The non-reserve portion of the financial account posted a deficit of USD417 billion, losing 4 percent compared with that in the previous year. Broken down by types, direct investments, which faced a surplus during the previous year, saw a deficit of USD46.6 billion; portfolio investments saw a deficit of USD62.2 billion, down 6 percent from the previous year, and other investments, which include loans, trade credits, and deposits, saw a deficit of USD303.5 billion, plunging 30 percent from the previous year. Adjusted for non-transaction factors, such as the exchange rate and price changes, reserve assets from transactions throughout the year dwindled by USD443.7 billion. At year-end, the stock of foreign exchange reserves registered USD3.01 trillion, slipping by 10 percent compared with that at the end of 2015.

MONETARY POLICY

In 2016, uncertainties in the international political and economic arenas heightened further. The Chinese economy exhibited positive changes, but structural mismatches were still prominent. Facing the complex and shifting economic and financial situations, the PBC followed the overall arrangements of the CPC Central Committee and the State Council, proactively adapted to the new normal, maintained a prudent and sound monetary policy focusing especially on the pace, strength, and mix of policy tools in light of the evolving situation, and strengthened forward-looking adjustments and fine-tunings, thus providing an appropriate monetary and financial environment for growth stabilization and supply-side structural reform.

Improving the mix of monetary policy instruments and the maturity structure to maintain appropriate liquidity

In 2016, as the supply and demand of liquidity evolved, there emerged a certain gap in liquidity in the banking system. The PBC comprehensively adopted a series of policy instruments, including open market operations, short-term liquidity operations (SLOs), a medium-term liquidity facility (MLF) and a standing liquidity facility (SLF), which flexibly provided liquidity for the long, medium, and short terms. A universal reserve requirement ratio cut of 0.5 percentage point was made in a bid to fill the long-term liquidity gap. Mediumterm liquidity operations were conducted on a regular basis, and the terms of the MLF were diversified from 3-month to 6-month and 1-year operations. The open market operation mechanism was improved. Beginning from February 18, 2016, open market operations were conducted on a daily basis,, which further enhanced liquidity management fine-tunings.

Promoting a gradual transformation of the monetary policy framework and bringing into full play the leveraging role of prices

The PBC sent out interest rate signals with consecutive 7-day reverse repo operations and explored fostering policy rates. At appropriate times 14-day and 28-day repos were introduced to guide and optimize the term structure of money market transactions. The roles of the MLF rates as the medium-term policy rates and the SLF rates as the ceiling for the interest-rate corridor were brought into full play. Continued efforts were made to foster a benchmark interest-rate system and to facilitate the Shibor to better reflect developments in market rates. The scope of LPR quoting banks was further expanded and the benchmark role of LPRs was strengthened. The government bond yield curve was officially released and it was expected to serve as the pricing benchmark.

Further improving the macro-prudential policy framework to promote appropriate growth of money and credit and to prevent systemic risks

First, in 2016 the differentiated reserve requirement dynamic adjustment mechanism was upgraded to a macro-prudential assessment (MPA), which aimed to guide the activities of financial institutions in several dimensions, including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border business risks and implementation of the credit policy. Second, the macro-prudential policy framework for cross-border capital flows was improved. Under this framework, based on the January 2016 expansion of the pilot on full-coverage of cross-border financing, on May 3, 2016 the pilot was further expanded to cover nationwide financial institutions and enterprises, aiming to carry out counter-cyclical adjustments with regard to cross-border financing to increase the effective supply of foreign exchange and to manage the leverage ratios and currency mismatch. Third, beginning in January 2016, domestic deposits of offshore banks were subject to the normal reserve requirement ratios, establishing a long-term mechanism for counter-cyclical adjustments of cross-border RMB flows.

Improving the credit structure to support economic restructuring, transformation, and upgrading

First, regular reviews of the targeted reserve requirement ratio cuts were conducted to continue their positive incentives to financial institutions in support of the agricultural sector and small enterprises. Second, Pledged Supplement Lending (PSL) was continued to provide support for development and policy financial institutions in their efforts to finance projects in key areas or weak sectors of the economy, such as shanty town renovations, water conservation, road construction in rural areas, and going-global enterprises. Third, the structural adjustment role of central bank lending and discounting was brought into full play, giving private banks access to central-bank lending for small enterprises. Fourth, central-bank lending for poverty alleviation was introduced to support the fight against poverty by granting more favorable rates than the rates for agriculture-related lending. Fifth, the pilots on credit asset pledges and central-bank internal ratings were steadily promoted in eleven provinces (municipalities).

Integrating reform with macroeconomic management, enhancing the efficiency of the financial system, and making finance better serve the real economy

First, continued efforts were made to promote the market-based interest-rate reform. The self-disciplinary mechanism for market pricing of interest rates was improved; the pool of issuers for interbank deposits and certificates of deposit was expanded in an orderly manner; and a focus was placed on fostering a financial market benchmark rate system, including the Shibor, the LPR, and the government-bond yield curve. Second, the market-based RMB exchange-rate regime was further improved. A RMB/USD central parity formation featuring "the previous closing rate + exchange-rate movements in a basket of currencies" was put in place, which rendered exchangerate policies more rule-based, transparent, and market-oriented. A foreign exchange market self-disciplinary mechanism was also established. Third, the reserve assessment mechanism was further reformed. In July 2016, the PBC changed the reserve deposit base from the end-of-day balances on the last day of a 10-day period to the arithmetic average during the entire maintenance period, thus realizing "double averaging" in the calculation and assessment of the required reserves.

Reinforcing monetary policy communications to guide market expectations

The China Monetary Policy Report was published periodically to promote policies and to guide expectations. Timely interpretations were released before the launch of important policy measures and when financial data underwent major fluctuations to enhance the transparency of monetary policy and to communicate policy intentions to the public so as to facilitate the financial market's projection of monetary policy and to improve the consistency between market players' actions and monetary policy intentions.

In general, the sound monetary policy has yielded positive results, with reasonably abundant liquidity in the banking system, stable and relatively rapid growth of money, credit, and all-system financing aggregates, subdued interest rates, a basically stable RMB exchange rate against a basket of currencies and increased flexibility of the bilateral RMB and the USD exchange rate.

Monetary policy outlook

In 2017, the PBC will earnestly implement the decisions of the Central Economic Work Conference. Following the strategic arrangements of the CPC Central Committee and the State Council and adhering to the guideline of seeking progress while maintaining stability and to the overall principle of "stable macroeconomic policies and flexible microeconomic policies", the PBC will implement a prudent and neutral monetary policy. Adapting to the new patterns in the money supply and demand, the PBC will carefully adjust money supply, put in place well-functioning monetary policy transmission channels and mechanisms, and maintain liquidity at a basically stable level to create a neutral and appropriate monetary and financial environment for structural reforms. Greater emphasis will be placed on reform and innovation to integrate the reforms with macroeconomic management, to combine managing monetary policy with the deepening of the reforms, and to allow the market to play a more decisive role in resource allocations. In view of the financial deepening and innovations, the PBC will further improve the monetary policy framework, including strengthening price-based tools and the transmission mechanism, fine-tuning the macro-prudential policy framework, and straightening out the policy transmission channels and mechanism. Efforts will be made to curb asset bubbles, to guide investment flows to the real economy, to improve the efficiency of the financial system and its capacity to serve the real economy, and to firmly safeguard the bottom-line in terms of preventing systemic financial risks.

First, the PBC will keep aggregates stable and will adopt a mix of price-based, quantity-based tools and macro-prudential policies to enhance preemptive adjustments and fine-tunings and to properly manage the supply of money;

Second, the economic structure will be improved to support structural adjustments, transformations and upgrading.

Third, the market-based interest-rate reform and the reform of the RMB exchangerate regime will be furthered to enhance the efficiency of allocations of financial resources and to improve the mechanism for financial management. Fourth, the financial market system will be improved to allow the financial market to play an effective role in stabilizing growth, facilitating restructuring, promoting reform, and preventing financial risks.

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

Sixth, greater significance will be placed on preventing financial risks by improving the macro-prudential policy framework so as to safeguard the stability of the financial system.

Column

The Macro-Prudential Assessment System

In order to improve the macro-prudential policy framework to make it more resilient, comprehensive and effective in implementing counter-cyclical adjustments and in preventing systemic risks, in 2016 the PBC upgraded the dynamic adjustment mechanism of the differentiated required reserve to a Macro-Prudential Assessment (MPA), so as to target banking financial institutions. As compared to the monitoring narrowly-defined loans in the previous system, the MPA implements macro-prudential management over broad credit with a series of assessment indicators to form a system that makes counter-cyclical core adjustments and makes differentiated assessments based on the degree of systemic importance of the financial institutions. The MPA is conducted ex post on a quarterly basis, while monthly monitoring and guidance are carried out concurrently and ex post. The PBC classifies financial institutions

into categories A, B, and C, based on the assessment results and provides corresponding incentives or deterrents to guide the proper growth of broad credit by financial institutions and to strengthen the prevention of systemic risks.

The MPA provides guidance for the activities of financial institutions from seven prospectives: first, with regard to capital and leverage, risk prevention is strengthened by using capital to restrain asset expansion by financial institutions. The indicator of the macro-prudential capital adequacy ratio mainly depends on broad credit growth and targeted GDP and CPI growth, reflecting the macro-prudential components in the Basel III capital framework, such as the counter-cyclical capital buffer and supplemental capital of systemically important financial institutions. Second, with regard to assets and liabilities, the target of regulation expanded from a narrow to a broader definition of credit, which includes loans, securities and investments, repurchases, and so forth, taking into account the on-going trend of asset diversification. Third, with regard to liquidity, financial institutions are encouraged to reinforce their liquidity management. Fourth, with regard to pricing behavior, at the initial stage of removing the ceiling of the deposit rates, emphasis is placed on orderly competition and pricing behavior of the commercial banks in the market. Fifth, financial institutions are encouraged to enhance asset quality and to strengthen risk prevention. Sixth, financial institutions are encouraged to take preemptive measures to strengthen risk monitoring and risk prevention against the backdrop of more frequent crossborder capital flows and growing cross-border businesses. Seventh, following the principle of differentiation, the PBC encourages financial institutions to support key areas and weak links in the economy and to work to optimize the credit structure. Accordingly, detailed indicators are designed in each dimension to more comprehensively assess the operations of financial institutions and to guide them to strengthen prudential operations.

In the first year after the launch of the MPA, the PBC actively conducted assessments, reinforced concurrent and ex post monitoring, and guided financial institutions to beef up selfconstraint and self-discipline. In general, the MPA has played an important role in promoting sound and prudential operations in financial institutions and in maintaining market order. The sound management concept with core capital constraints was further strengthened and financial institutions became more willing to replenish capital. Orderly interest-rate pricing was maintained and the pricing behavior of financial institutions became more reasonable. Statistical distortions and inefficient regulations caused by asset maneuvers and other tricks by financial institutions were eased. Most banking financial institutions operated soundly in line with the macro-prudential requirements.

Meanwhile, the PBC has been collecting the experiences and improving the composition of the indicators, weights, and parameters based on the MPA performance and the needs for macroeconomic management. First, an indicator for cross-border business risks was added. Given the new developments in crossborder financing and cross-border businesses, the original "external debt risk" indicator was expanded to include a "cross-border business risk" indicator, with relevant sub-indicators to strengthen risk monitoring and prevention. Second, off-balance sheet wealth management was incorporated into the broad credit indicator. Since the first guarter of 2017, off-balance sheet assets have been included in the broad credit indicator of the MPA to guide financial institutions to reinforce risk management over off-balance sheet businesses, to more comprehensively and accurately measure risks, and to more prudently conduct business.

During the next stage, under the leadership of the CPC Central Committee and the State Council, the PBC will continued to effectively lead and implement the MPA, mobilize financial institutions to enhance self-discipline, improve management of liquidity as well as assets and liabilities, and maintain prudent operations. The purpose is to guide the appropriate growth of money, credit, and all-system financing aggregates, to strengthen the prevention of systemic financial risks, and to enhance the efficiency of finance to serve the real economy.

The PBC Continued to Improve the RMB Exchange-Rate Regime

Column

Since the introduction of the exchangerate reform in 2005, China has established a managed floating exchange-rate regime based on market supply and demand with reference to a basket of currencies. During the past decade, the PBC continued to improve the market-based RMB exchange-rate regime, to strengthen the role of market demand and supply with reference to a basket of currencies in the RMB exchange-rate regime, and to enhance the two-way floating flexibility of the RMB exchange rate. Due to the impacts and effects of various factors, the flexibility of the RMB exchange rate against the USD had to be further strengthened compared with that of the RMB exchange rate against a basket of currencies. During the past two years, with the development of the foreign exchange market and the improvement in the opening-up, investors have had a better understanding of the effective exchange rate, and the pricing and risk management ability of financial institutions has been strengthened, thus paving the way for an improvement in the exchange-rate reform based on market supply and demand with reference to a basket of currencies.

Since 2015, the PBC has continued to strengthen the RMB exchange-rate regime based on market supply and demand with reference to a basket of currencies. On August 11, 2015, the PBC decided to improve the quotation of the central parity of the RMB against the USD, emphasizing the quotes of the CNY/USD central parity of the daily market-makers' report to the China Foreign Exchange Trade System (CFETS) before the market opens, referring to the closing rate

of the interbank foreign exchange market on the previous day in conjunction with demand and supply conditions in the foreign exchange market. The CFETS published the CFETS Exchange-Rate Index on December 11, 2015, helping to guide market participants to shift their focus from the bilateral RMB/USD exchange rate to the effective exchange rate, which is based on a basket of currencies, in their efforts to observe exchange-rate movements. This contributed to keeping the RMB exchange rate basically stable at an adaptive and equilibrium level. In February 2016, the PBC clarified the CNY/USD central parity formation mechanism, namely "the previous closing rate + the exchangerate movements of a basket of currencies". The mechanism struck a balance between market supply and demand, the stability of the RMB exchange rate against a basket of currencies, and market expectations. It was also more transparent, rule-based, and market-oriented. Since February 2016, the new central parity mechanism for the RMB exchange rate against the USD, as defined by the PBC and based on "the previous closing rate + the exchange-rate movements of a basket of currencies" has been operating orderly and producing good policy results. The new central parity mechanism better reflects the supply and demand of the foreign exchange market and changes in the basket of currencies; the deviation between the central parity and the market exchange rate was corrected; the benchmark role of the central parity was strengthened; and market expectations became more stable. The flexibility of the RMB exchange rate against the USD was further strengthened,

exhibiting larger two-way fluctuations. The RMB exchange rate against a basket of currencies remained generally well anchored. Since 2016, against the backdrop of the turbulent global financial market, movement of the RMB exchange rate has been stable, demonstrating that the CNY/USD central parity formation mechanism of "the previous closing rate + exchange-rate movements of a basket of currencies" has been working smoothly and producing good results.

For the next step, under the guidance

of the central government's reform plan, the PBC will continue to adhere to marketoriented principles and to improve the market-based RMB exchange-rate regime, giving more play to the market in the exchange-rate formation, enhancing the twoway floating flexibility of the RMB, improving the flexible exchange-rate movement mechanism in an orderly manner, keeping the RMB exchange rate basically stable at an adaptive and equilibrium level, and enhancing the role of the exchange rate to automatically adjust the balance of payments.

CREDIT POLICY

In 2016, the PBC adapted to the new normal in economic development and gave full play to credit policy in the supply-side structural reform. Working closely around the five tasks of reducing excess capacity, destocking, deleveraging, lowering costs, and shoring up weak spots, it adopted a case-by-case approach by supporting some sectors while restricting others in an orderly manner. Efforts were made to innovate credit policy tools, transform the methods of policy implementation, and enhance the implementation and guiding effects of credit policy. These measures effectively improved the quality and efficiency of national economic growth and also promoted sustainable and sound development.

Allowing credit policy to play a greater role in structural adjustments to advance the economic restructuring as well as the industrial transformation and upgrading

To support the supply-side reform in the industrial sector, the PBC spearheaded efforts to issue guiding opinions on providing financial services to facilitate stable growth, adjusting the structure, and increasing the efficiency in the sector. To fully provide financial services to support the reduction of excess capacity and to promote the transformation and upgrading of traditional industries, the PBC unveiled guiding opinions on using financial services to help reduce excess capacity and overcome difficulties in the iron and steel and coal industries. Guided by the "Made in China 2025" strategy, the PBC explored policy measures to extend financial services to support indigenous innovation, infrastructure enhancement, and smart upgrading of the manufacturing sector. The institutional reform of investment and the financing of the railroad system were deepened as financial institutions were urged to support the scientific development

of railroad construction. A mechanism was put in place to match the banks with enterprises to assist in the endeavors of shipbuilding companies and marine engineering equipment producers to transform, upgrade, and overcome their difficulties. Pilot programs of forging cooperation between industries and financial institutions were pushed forward steadily so as to promote information-sharing and to explore effective ways to interact. New types of consumption, such as elderly care, healthcare, and green consumption, were fostered by unveiling guiding opinions on providing financial services to support the elderly and other new types of consumption as well as to strengthen products and institutional innovations related to green finance. Support for science and technology innovations was beefed up as joint efforts were made to introduce the new financing model of credit plus equity financing on a trial basis and to launch a second round of pilot programs, which combined finance with science and technology. Connectivity between culture and finance was also enhanced, as financial institutions were

encouraged to improve credit management and pricing mechanisms. A tripartite cooperative mechanism was set up among the PBC branches in Beijing, Tianjin, and Hebei to support their coordinated development, complemented by research on improving supporting financial policies. At year-end, outstanding medium and long-term loans to the industrial sector posted RMB7.7 trillion, a year-on-year gain of 3.1 percent, of which medium and long-term loans to the manufacturing sector went up 3.2 percent year on year, whereas loans to sectors with excess capacity declined by 1 percent.

Continuing to provide financial services to agriculture, rural areas, and farmers, as well as to small and micro businesses

To increase the income of farmers and to expedite the development of modern agriculture, the PBC accelerated rural financial reforms and innovations by advancing in a measured manner the pilot program of loans collateralized with operational rights of rural contracted land and rural housing property. Focusing on improving the efficiency of agricultural production and operations, the PBC actively promoted financial services, such as supply chain financing and movable assets financing, to support the scale of business in agriculture and to combine the primary, secondary, and tertiary industries in the rural areas. Financial services were provided to support grain purchases and to accelerate the pace of overseas development of agriculture. Policy measures for pledged financing with accounts receivable were improved, while other types of pledged loans were promoted, such as loans pledged with intellectual property rights, equity, forest ownership, and future proceeds. Credit-asset securitization was conducted in an innovative way for small and micro businesses. Agricultural firms as well as small and medium-sized enterprises (SMEs) were encouraged to raise funds by issuing non-financial enterprise debt financing instruments, while eligible financial institutions were encouraged to issue financial bonds to raise funds for lending to agriculture, rural areas, and farmers, as well as to small and micro business. Assessments of the guiding effects of credit policy were improved and incentives were provided for financial institutions to support agriculture, rural areas, and farmers, as well as small and micro businesses. At year-end, outstanding agrolinked loans and loans to small and micro businesses had jumped 7.1 percent and 16.0 percent, respectively, compared with that in the previous year, posting RMB28.2 trillion and RMB20.8 trillion.

Stepping up financial support for weak sectors, such as poverty alleviation, employment, and minority ethnic groups

The PBC issued comprehensive financial policies to assist poverty alleviation efforts and to tailor financial resources to the needs of targeted programs. These policies included improving the top-level designs for targeted poverty alleviation, strengthening information-sharing, statistics and monitoring, and thematic assessments, introducing central-bank lending for poverty alleviation, providing financial services for poverty-related relocations, intensifying policy implementation of micro credit for poverty alleviation, student loans, and loans to the disabled living in poverty. Employment and entrepreneurship of registered unemployed in the cities, college graduates, and migrant workers returning home were advanced, supported by improved policies on collateralized entrepreneurship loans, a broader scope of borrowers, unified credit lines, and extended loan maturities. At year-end, outstanding collateralized entrepreneurship loans at nationwide banking financial institutions stood at RMB96.4 billion. Measures were taken to further improve financial services for areas inhabited by minority ethnic groups, including continuing to urge financial institutions to carry out preferential policies, such as concessional loans for trade and production of goods by minorities, and to increase the supply of credit to areas that are home to minorities. The PBC played a leading role in coordinating financial services for flood-related disaster relief and post-disaster reconstruction by promptly issuing notices on offering financial support for flood control and disaster relief.

Effectively implementing a differentiated housing credit policy

The minimum down payment requirement for personal mortgage loans in cities with no restrictions on housing purchases was further cut, but market discipline and independent decision-making by commercial banks was enhanced. Following the principle of adopting city-specific measures, the PBC offered guidance to the provincial market interest-rate pricing self-regulatory mechanisms, which properly adjusted housing credit policies in over twenty cities, including Beijing and Shanghai. Commercial banks were urged to actively cooperate with efforts to adjust the property market by strengthening credit approvals and management and tightening credit conditions in cities with over-heated property markets, while channeling more credit to third and fourth-tier cities and effectively preventing credit risks. The PBC, along with other regulatory authorities, cracked down on non-compliance, such as down-payment lending, and addressed such issues in the special campaign against risks in Internet finance, with the objective of exercising proper management of funds to discourage excess funding flows to the real estate sector. The pilot of securitization of housing provident fund loans was advanced steadily, with the value of securitized products issued on the interbank bond market posting RMB34.71 billion during the entire year. Efforts were also made to continuously promote the pilot of Real Estate Investment Trusts (REITs).

Expediting innovation in investment and financing mechanisms and providing financial services for local government debt management

The PBC explored innovations for diversified financing models for public goods supply, improved financial services for public-private partnerships (PPP), and stepped up support for efficient investments in sectors such as private investment, major national projects, utility tunnels, sponge cities, and mutual military and civilian projects. Continued efforts were made to provide financial services for local government debt management and to assist the Ministry of Finance in promoting the market-based transformation of local financing vehicles. The PBC was actively engaged in institution-building regarding the regulation and management of targeted construction funds to facilitate smooth operations.

Promoting innovation-driven development of the asset securitization market

Pursuing a market-based, regulated, and transparent market, the PBC improved the operations mechanism of the asset securitization market by expanding market size and optimizing market functions in an active and orderly manner. It steadily promoted the pilot of distressed assets securitization and securitization of enterprise assets. During the year, financial institutions saw 108 issues of credit asset-backed securities (ABS) in the amount of RMB390.9 billion. At year-end, outstanding ABS registered RMB575.69 billion, a rise of 8.7 percent year on year.

Column

Boosting Financial Aid for Targeted Poverty Alleviation in an All-round Manner

In 2016, in line with the spirits of the Conference on Poverty Alleviation and Development of the Central Government and the arrangements in the Decisions on Winning the Tough Fight Against Poverty, the PBC took the lead in poverty alleviation by means of financial aid. Following the basic principles of "taking targeted measures for poverty alleviation and lifting people out of poverty", the PBC strengthened its efforts in financial policy guidance, financial products innovations, and financial services improvements, laying a solid foundation for winning the tough fight against poverty.

A working mechanism for financial aid for targeted poverty alleviation was established and a top design was improved. The PBC, in collaboration with other departments, printed and distributed the *Opinions on Promoting Poverty Alleviation by Providing Financial Support*. A total of twenty-two specific measures were adopted with the following six goals: to grasp the requirements for targeted

poverty alleviation, to tailor financing services to poverty alleviation, to promote financial inclusion, to bring into play the role of various financial institutions, and to improve supporting measures and work mechanisms for targeted poverty alleviation. Efforts were made to provide financial services to every single village, every single household, and every single person in the poverty-stricken areas. The PBC branches at the provincial levels took the lead in establishing work teams to provide financial aid for targeted poverty alleviation. Fourteen nationwide financial institutions and about 1 000 local incorporated financial institutions were urged to make poverty alleviation plans during the 13th Five-Year Plan. The China Development Bank and the China Agriculture Development Bank were encouraged to establish financial services departments for poverty alleviation. Reform of the Agriculture-related Financial Service Department (for agriculture, farmers, and rural areas), of the Agricultural Bank of China, was deepened. The Postal Savings Bank of China was also encouraged to set up an agriculture-related financial services department.

A basket of monetary policy instruments was adopted so as to enhance support by financial institutions for poverty alleviation and development. The role of macro-prudential assessments in credit restructuring was brought into full play. The differentiated reserve requirement ratio was adopted and greater importance was attached to refinancing in support of micro and small businesses, urging financial institutions to increase effective credit injections. Poverty alleviation refinancing was introduced in 832 national-level poverty stricken counties and other impoverished counties that were listed as key areas for poverty alleviation and development by the provincial governments. The interest rate for poverty alleviation refinancing was more preferential as compared with that for agro-linked refinancing. Financial institutions were asked to attach priority to poor families by arranging files for poverty alleviation and for refinancing applications for enterprises that would create employment opportunities for the impoverished population. As of year-end, the outstanding balance of poverty alleviation refinancing stood at RMB112.7 billion.

Statistics on financial aid to targeted poverty-alleviation lending were introduced, laying a solid information foundation. In line with these targeted, detailed, and dynamic principles, a core index system of targeted poverty alleviation lending by means of financial measures was introduced. First, lending needs were to be targeted in terms of the following four issues. The framework for targeted poverty alleviation was to be designed based on the following. The targeted population was an impoverished population that was put

on files in the targeted poverty alleviation projects. Loans targeted for poverty alleviation were classified in accordance with policy intentions and market demands. Big data were applied in linking the book-keeping of financial institutions and the credit and client information so as to accurately identify clients. Second, the statistics had to be detailed in the following three respects. They had to cover not only the amount of credit granted to the impoverished population but also the population that obtained credit from the financial institutions. The statistics had to cover not only the amount of credit obtained by the impoverished population in developing industries but also the population that would benefit from the development that was fueled by the targeted financial aid. The statistics had to cover not only the amount of credit injected in projects that was aimed at poverty alleviation but also cover the impoverished population that enjoyed the services after the projects received financial support. Third, financial aid to targeted poverty alleviation projects was traced dynamically. The impoverished population and areas that were identified by the Poverty Alleviation Office of the State Council were adjusted dynamically. Therefore, the scope of the statistics for targeted poverty alleviation through financial aid would be accurately determined so as to meet the management requirement that the scope covered by the poverty alleviation projects could be either broadened and narrowed. The amount of credit granted to the population that had been lifted out of poverty was also covered in the statistics as an important index, which was in line with the continuity of the poverty alleviation policies.

Efforts were made to make innovations to the financial products and services so as to precisely meet the financing demands in the impoverished areas. The sharing of information regarding financial aid to targeted poverty alleviation was boosted. An information system of financial aid to targeted poverty alleviation was established and improved, precisely matching the information on povertystricken households that had been put on file in the system and the information on financial aid, dynamically reflecting the credit granted to those households and their employment. Methods for evaluating the effects of the financial aid were put in place and poverty alleviation policies were implemented. Steppedup efforts were made to implement credit policies for small-amount poverty alleviation loans, business start-up guarantee loans, student loans and rehabilitation loans for poverty alleviation. Industrial chain and supply chain financing, including pledges of orders and warehouse lists, were promoted vigorously. Pilot programs regarding financing businesses for property rights in rural areas, including land contract operating rights and property rights of housing, were advanced steadily. Supportive measures were taken to spur the development of featured industries as well as entrepreneurship and employment among the property-stricken population.

The work mechanism for poverty alleviation and relocation was streamlined and efforts were made to promote fundraising and management services regarding poverty alleviation and relocation. A series of documents were formulated and promulgated in succession, including documents regarding the raising, injection and management of credit funds for poverty alleviation and relocation. Therefore, a solid institutional foundation was established for the issuance of targeted financial bonds by the China Development Bank and the China Agricultural Development Bank. Funds raised from the issuance of targeted financial bonds were earmarked for poverty alleviation and relocation, and payments were required to be made promptly. Financial institutions were encouraged to provide supportive financial services for poverty alleviation and relocation. Efforts were made to grant the impoverished population, which had been incorporated in the files, rights to relocate, settle down, obtain employment, and become rich. As of the end of the year, a total of RMB72.6 billion worth of targeted financial bonds had been issued by the China Development Bank and the China Agricultural Development Bank and loans in the amount of RMB73.0 billion had been offered.

Stepped-up efforts were made to boost the availability and convenience of financial services in poverty-stricken areas. Work was also done to enhance payments for infrastructure construction in poor areas, popularize Internet payments, mobile payments and other new payment modes, and to improve bankcard deposit withdrawal services for farmers, and to create tailormade bankcard services for migrant workers. Construction of credit information systems for rural areas and SMEs were accelerated in the poverty-stricken areas so as to boost financing by means of construction of a credit information system. The PBC, in collaboration with the Office for Poverty Alleviation of the State Council, hosted a parallel sub-seminar on financial poverty alleviation on the theme of "Targeted Poverty Alleviation through Financial Measures against the Background of Supplyside Structural Reform". Promotional videos on financial poverty alleviation were produced by a number of media, including CCTV and the Financial Times. Publicity about financial knowledge was strengthened and financial professionalism and risk awareness among financial consumers were raised. The financial ecological environment in impoverished regions was further optimized.

With the policy measures for targeted financial alleviation, the supportive role of

financial measures to eliminate poverty became increasingly important. As of year-end, the outstanding balance of financial poverty alleviation loans amounted to RMB2.49 trillion, representing year-on-year growth of 49 percent. A total of RMB1.28 trillion worth of financial targeted poverty alleviation loans was offered in 2016, 58.6 percent more than that offered in the previous year (See the following table).

Statistical Table of Financial Targeted Poverty Alleviation Loans, 2016

				RMB billion, %
Item	Outstanding Amount at Year-end	Y-o-y Growth of the Year- end Balance	Cumulative Amount Offered Throughout the Year	Y-o-y Growth of the Annua Cumulative Amount Offered
Financial Targeted Poverty Alleviation Loans	2 487.8	49.0	1 275.9	58.6
1. Personal Targeted Poverty Alleviation Loans	271.0	85.8	243.6	97.6
Loans Offered to the Impoverished Population that was on File	250.5	82.6	224.3	91.6
Other Personal Targeted Poverty Alleviation Loans	20.6	135.0	19.2	210.9
2. Corporate Targeted Poverty Alleviation Loans	2 216.7	45.5	1 032.3	51.6
Targeted Poverty Alleviations Loans for Industries	604.0	46.7	402.3	26.
Targeted Poverty Alleviation Loans for Programs	1 612.7	45.0	630.1	73.5
Particularly, Loans for Relocation	225.1	175.5	157.6	93.6
Loans for Farmland Infrastructure Construction	1.9	41.6	1.6	259.8
Loans for Ecological Environment Renovation	12.1	32.9	7.2	127.4
Loans for Infrastructure Construction in Rural Areas	1 373.6	34.7	463.7	66.8
Other Targeted Loans: to Population that had been Lifted out of Poverty	160.6	44.3	143.4	51.9
Targeted Poverty Alleviation Loans to New Agricultural of Operators	119.4	31.2	99.7	29.5

Note: New agricultural operators consist of household farmers, professional farm operators, cooperatives of farmers and leading agricultural industrialization enterprises.

FINANCIAL LEGISLATION

In 2016, in line with plans formulated by the CPC Central Committee and the State Council and focusing on the overall reform of the financial situation, the PBC further improved the financial legal system, reinforced law-based administration across the board, and continued reforms to streamline administration, delegate powers, and improve regulations and services. In addition, it worked all out to deal with international financial legal issues, to hunt down fugitives implicated in duty-related crimes, to promote Internet finance, to significantly improve the capability to provide legal consultation, to guarantee efficient and law-based performance of its duties, and to facilitate regularized and healthy development of the financial sector.

Improving the economic and financial legal systems

First, the PBC has actively participated in key national legislation programs for economic and financial development. It has supported the National People's Congress and relevent leading departments to formulate or revise the Securities Law, E-commerce Law, Law on the Administration of Tax Collection, Law for Countering Unfair Competition, Regulation for Implementation of the Budget Law, and other relevant rules and regulations. Second, the PBC has performed its duties as a central bank with respect to key legislative programs. According to the plan, it has promoted formulation or revision of laws, such as the Law of the People's Bank of China, the Regulations on Foreign Exchange Administration, the Provisional Regulations on Cash Management, the Regulations for Non-Deposit Lending Organizations and the Regulations for Financial Statistical Management. Third, the PBC has formulated departmental rules and regulations according to its experience accumulated from the performance of its duties. It has formulated the Administrative Measures for Bankcard Clearing Institutions, the Administrative Measures for Financial Institutions regarding Reporting Large-value Transactions and Suspicious Transactions (revised), the Provisional Measures for Pilot Programs on Lending against the Property Rights of Farmers' Housing, the Provisional Measures for the Pilot Program of Lending against the Operational Rights of Rural Contracted Land, the Administrative Measures of the People's Bank of China for Pledged Supplementary Lending (draft), the Administrative Measures for Bill Business, the Administrative Measures for the Classification and Rating of Non-bank Payment Institutions, the Record-keeping Administrative Measures for Corporate Credit Information Reporting Agencies, the Regulations for Information Management of Financial Institutions, and other rules and regulations, to provide institutional support to the relevant reforms and orderly development of the financial market. Fourth, in accordance with the State Council's requirement to clean up those rules and regulations impeding stable growth, further reform, and structural

adjustments and improvements of livelihood, the PBC canceled four regulations and twenty-one policy documents, and it abolished the Notice Concerning Registration of Foreign Exchange (transferred) Loans and the Provisional Methods for Administration of Foreign Exchange Conversion Agencies. In addition, it partially revised the Administrative Methods for Trading and Bookbinding of Renminbi in Circulation and the Administrative Methods of the People's Bank of China for the Collection and Identification of Counterfeit Money. Meanwhile, the PBC especially cleaned up the rules and regulatory documents concerning the original registration system in accordance with the Opinions of the General Office of the State Council on Accelerating the "Three-in-One" Registration System Reform.

Reinforcing law-based administration

First, the PBC promoted the building of a rule-of-law central bank. According to the arrangements and requirements of the CPC Central Committee and the State Council to promote comprehensive lawbased governance and to build a rule of law government, the PBC formulated and issued the *Implementation Measures for Building a Rule-of-Law Central Bank (2016-2020)* to expressly stipulate its guidelines, targets, major tasks, and specific measures. Meanwhile, the PBC made due efforts to carry out this policy. Second, the PBC further simplified the procedures for administrative examinations and approvals, strengthened in-process and ex-

post regulation, and established a negative list for market access. In 2016, the PBC removed three items for administrative examination and approval, namely, examination and approval for trading renminbi in circulation, access to the domestic interbank market, and cross-border allocations and transportation of renminbi, reducing the number of items requiring administrative examinations and approvals from twenty-four at the end of 2014 to fourteen. In addition, intermediary services for administrative examinations and approvals were basically canceled. Meanwhile, the PBC made due efforts to publicize of canceling of items for administrative examinations and approvals, and related work and follow-up supervision over these items. Third, the PBC regularized and improved the administrative examinations and approvals to enhance efficiency and to improve financial services. It printed and issued the Work Plan of the People's Bank of China to Simplify and Optimize Public Services to Help the Public Start Businesses, formulated and improved the catalogue and guidelines for public services in a step-by-step manner, and promoted the sharing of public service information to further simplify and optimize procedures and processes to improve the efficiency of administrative examinations and approvals. Fourth, the PBC continued strengthening its capability for administrative enforcement of the law. It has required all administrative law enforcement officials to obtain certificates before performing their duties, advocated the "the two randoms and one disclosure"¹,

Note: 1 This refers to the random selection of targets for inspection, the assignment of law enforcement officials, and the timely disclosure of the results of the inspections.

regularized law enforcement as per legal authorization, and enhanced the efficacy of financial management. Fifth, according to the law the PBC handled 118 cases for administrative reconsideration.

Dealing with financial legal affairs

First, the PBC made active efforts to appropriately deal with international financial legal affairs. It has participated in negotiations on investment agreements between China and the United States and between China and the European Union, and it has formulated a negative list for cross-border services. By attending the conference of the Committee on International Monetary Law, the European Central Bank's Conference on Legal Affairs, the meeting of legal experts held by the International Settlement Bank, and the meetings of legal experts organized by the International Monetary Fund, the PBC enhanced China's say and influence in the reform of global economic and financial governance. In addition, based on research on international obligations in the financial sector, the PBC has substantially safeguarded the legal interests and rights of the State and of Chinese financial institutions. Second, the PBC launched an ad hoc campaign to combat money laundring by off-shore companies and illegal private banks. Joining efforts with the Ministry of Public Security, the Supreme People's Court, the Supreme People's Procuratorate, and the State Administration of Foreign Exchange, the PBC has held special meetings on promoting specific actions, symposia on typical cases, and it has provided on-site instructions, making remarkable achievements in hunting down fugitives implicated in customs-related crimes. Third, the PBC has developed regulations for Internet finance. It helped to prepare and establish the National Internet Finance Association of China, and it worked with the relevant departments to formulate the Interim Measures for the Administration of Business Activities of Online Lending Information of Intermediary Institutions and the Methods for Rewarding the Reporting of Illegal Financing to prevent and control risks of illegal online financing cases. Fourth, it improved the legal advisory system and the government lawyer and corporate lawyer system to enhance the capability of legal advisors. To implement the Opinions of the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on Promoting a Legal Advisory System and a Government Lawyer and Corporate Lawyer System, the Head Office and local branches of the PBC have employed renowned law firms as permanent legal advisors and have reinforced the building of government legal teams to provide legal support so as to perform its duties. Fifth, the PBC has properly handled disputes of various kinds, including thirteen administrative lawsuits and one civil action. Sixth, it has launched an educational campaign to promote the rule of law. The PBC formulated and issued the 7th Five-Year Plan of the People's Bank of China on Publicity of the Rule of Law to advocate the rule of law in a targeted and effective way and to constantly improve the officials' awareness of and capability to carry out the rule of law.

FINANCIAL STABILITY

In 2016, the Chinese economy maintained stable and sound growth, but it still faced a number of prominent difficulties and risks, as economic and financial developments at home and abroad remained complex and challenging. The PBC made risk prevention a higher priority. To secure the bottom line of preventing systemic financial risks and to safeguard financial security, the PBC strengthened the monitoring and assessment of systemic risks, took earnest measures to prevent and resolve potential financial risks in key areas, filled gaps in risk-prevention related to institutional building, developed more normal standards and rules for asset management products, continued to step up central-bank lending and asset management for the purpose of maintaining financial stability, and promoted implementation of a deposit insurance scheme.

Strengthening financial risk monitoring and assessment and mitigating and resolving hidden risks in key areas through coordinated efforts

The PBC published the China Financial Stability Report (2016) and the Regional Financial Stability Report (2016), which comprehensively assess the soundness of China's financial system. It focused on the day-to-day risk monitoring of financial institutions and the reporting of significant events, continued to improve financial risk monitoring and the response and resolution mechanism, comprehensively assessed the soundness of China's financial system, and conducted preemptive assessments and early warnings of risk events. Efforts were made to thoroughly screen key existing financial risks, assess measures taken and their effects, analyze causes and sources of risks that were likely to occur, and explore risk prevention or resolution measures. The PBC actively carried out work on deleveraging, guided banks in their efforts to deepen the marketbased debt-for-equity swaps, and rolled out

supporting policies. It conducted thematic research on topical issues, such as private equity, equity crowd-funding and takeover acquisitions of listed companies by insurance institutions, improved the administrative requirements concerning investor suitability, and fully analyzed risks in insurance fund use. An in-depth study was carried out on asset management activities in order to systematically understand the development and business models of asset management and to contribute to the development of more normal standards and rules for asset management products supported by comprehensive assessments of major risks and the implications for financial stability. Efforts were also made to study and develop cross-market risk monitoring, early warning and resolution mechanisms, to analyze crossmarket risks based on empirical evidence, to summarize channels of risk contagion, and to spell out tasks and obligations of parties concerned with the requirements of the State Council and the Inter-Ministerial Joint Meeting for Financial Regulation and Coordination.

Including more banks in financial stability stress tests and conducting targeted onsite assessments of the soundness of financial institutions

In line with The Rules on Classifying Financial Enterprises, thirty-one commercial banks, whose assets exceeded RMB500 billion at the end of 2015, were included in the stress test of the banking sector, which fully analyzed and assessed the credit risks, market risks, and liquidity risks of these major banks. In addition, in 2016 the financial stability stress test for large securities companies was continued. Given the rapid growth of interbank investments and the acute maturity mismatch of interbank business during the past two years, on-site assessments of the implementation of the Notice on Regulating the Interbank Business of Financial Institutions were conducted for some banking financial institutions.

Actively conducting updated assessments under the China Financial Sector Assessment Program (FSAP)

In December 2016, a joint FSAP mission sent by the IMF and the World Bank Group visited China for its first on-site assessment, which covered issues such as implementation of the IOSCO Objectives and Principles of Securities Regulation and the IAIS Insurance Core Principles, systemic risk monitoring and the macro-prudential framework, stress tests, management of non-performing loans (NPLs), and anti-money laundering and combating the financing of terrorism (AML/CFT). The assessment included over 200 meetings during organized trips to Beijing, Shanghai, Shenzhen, and Chengdu, which established a solid foundation for the mission to better understand and objectively assess China's financial system.

Firmly advancing implementation of the deposit insurance scheme

The PBC improved the functions of the deposit insurance scheme by following the path of starting with premiums collection and management, applying differentiated riskbased premiums, and promoting early risk identification and resolution. Efforts were made to properly carry out administration of the deposit insurance framework and premium collection, to adopt a differentiated risk-based premium to further tighten the risk constraints on insured institutions, and to fully tap the role of deposit insurance as a market-based risk resolution platform by improving the function of deposit insurance in risk identification and resolution. Development of the deposit insurance information system was promoted. To improve the public's understanding of deposit insurance and to boost confidence in China's financial system, the PBC continued its outreach and training efforts with respect to deposit insurance.

Stepping up central-bank lending and asset management for the purpose of maintaining financial stability

The PBC took a variety of effective measures to improve loan recovery by taking into account borrower-specific circumstances. It continued to recognize losses from central-bank lending for financial stability purposes and to write off bad loans in line with the rules and regulations, while also improving loss management. The administration of central-bank lending for financial stability purposes was enhanced as a result of improved statistics and analyses as well as by stricter supervision and inspection. Efforts were also made to continue asset management related to financial stability.

FINANCIAL REFORM

The year of 2016 was a pivotal year in fully deepening reforms, and it was also the first year of the 13th Five-Year Plan period. The PBC witnessed positive developments and results in its efforts to fully deepen financial reform, as it followed the general guideline of seeking progress while maintaining stability and worked in line with the decisions and arrangements of the CPC Central Committee and the State Council.

Deepening of the market-based interestrate and exchange-rate reforms

The PBC accelerated the development of the self-regulatory mechanism for market interest-rate pricing, further improved the central bank interest-rate adjustment framework, explored the building of an interest-rate corridor, and continued to foster the benchmark interest-rate system for the financial market. It continued to improve the market-based RMB exchange-rate regime, establishing the RMB/USD central parity mechanism that features "previous closing rate + the exchange-rate movements of a basket of currencies", making it more rulebased, transparent, and market-oriented. The RMB remained basically stable against a basket of currencies, while the bilateral RMB/ USD exchange rate became more flexible.

A macro-prudential policy framework was established, which further improved the macro economic management mechanism

The dynamic differentiated reserve adjustment mechanism was upgraded to a macro-prudential assessment (MPA), which guides the activities of financial institutions from seven perspectives, including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border business risks, and implementation of credit policy. The PBC developed and gradually improved the macroprudential management framework, which includes full coverage of both local and foreign currency cross-border financing. The initial pilot programs in certain regions will be expanded nationwide to all financial institutions and enterprises.

The RMB internationalization achieved remarkable results, as the RMB was officially included in the SDR basket

The RMB was officially recognized as an international reserve currency when it was officially included in the SDR basket on October 1, 2016, which represented an important milestone in RMB internationalization. As of end-2016, the RMB had become the second largest currency for cross-border receipts and payments in China, and the sixth largest payment currency in the world. About fifty-six foreign central banks and monetary authorities held RMB-denominated financial assets in China and included them in their foreign exchange reserves. The PBC established bilateral local currency swap arrangements with thirty-six central banks or monetary authorities. The pilot program of RMB qualified foreign institutional investors (RQFII) was expanded to eighteen countries and regions, including the United States. Efforts were made to consistently promote innovations and pilot programs for the cross-border use of RMB in free trade zones in Shanghai, Tianjin, Guangdong, Fujian, Chongqing, and Suzhou, and border provinces and regions. The RMB Cross-Border Interbank Payment System (CIPS) entered into operation. The RMB's inclusion in the SDR basket is bound to bring new momentum to RMB internationalization and to contribute to the further integration of China's financial system into the international economic and financial systems.

Continued deepening of the reform of financial institutions

The reform of development and policy financial institutions was accelerated, as the revised Articles of Association of the China Development Bank, the Export-Import Bank of China, and the Agricultural Development Bank of China were endorsed by the State Council in November 2016. The reform of the Agricultural and Rural Financial Services Division of the Agriculture Bank of China (ABC) was promoted, as institutional arrangements continued to improve and all related supporting policies were implemented. Financial services for agriculture, rural areas, and farmers continued to grow both in depth and scope. As of year-end, outstanding loans of the County Business Division of the ABC posted RMB3.18 trillion, an increase of RMB317.3 billion, or 11.09 percent, compared with the beginning of the year, and 1.47 percentage points higher than the overall growth of loans in the pilot ABC branches. The transformation of asset management companies into commercial institutions saw positive developments as the China Orient Asset Management Co., Ltd. and the China Great Wall Asset Management Co., Ltd. were established in October and December 2016, respectively. The Postal Savings Bank of China completed its initial public offering in Hong Kong in September 2016.

Financial market products and institutional innovations proceeded smoothly along with the two-way opening up

The PBC launched pre-issuance bond trade on a trial basis, established a mechanism to support the market-making of government bonds, and for the first time published the yield curve of 30-year government bonds, which further improved the yield curve of government bonds. The bond market continued to open up as overseas institutional investors were allowed access to the interbank bond market; the total investment quota and the quota for individual institutions were removed; SDRdenominated bonds were successfully issued; and foreign governments as well as international development agencies were given a green light to issue bonds in China. Regulatory measures were put in place in the commercial paper market; and a national trading platform for commercial paper was launched in December, marking a new stage of centralized e-trading. These measures effectively increased market transparency and trading efficiency, and they lowered operational risks. Efforts were also made to establish a centralized RMB-denominated gold pricing and trading mechanism in the Shanghai Gold Exchange, to introduce cross-border asset securitization products, and to improve market-based resolution of credit risks so as to reduce full riskfree repayment expectations in a measured manner and to protect investors' legal rights.

Reforms of regional finance and financial inclusion continued, and a green finance policy framework was established

The Overall Plan of Building a Pilot Zone in Taizhou of Jiangsu Province for Reforms and Innovations to Support Industrial Transformation and Upgrading with Financial Services was announced. A number of financial opening and financial innovation mechanisms from the Shanghai Free Trade Zone were introduced to other areas of China. The pilot programs on regional financial reform were assessed, sorted out, and regulated, and relevant awards and disciplinary measures were put in place. Approved by the State Council, a pilot zone for a financial inclusion reform was set up in Lankao County of Henan Province, the first of its kind in China. The Program for Setting up a Pilot Zone for Financial Inclusion in Qinghai Province was unveiled, which aimed at improving financial services required by financial inclusion in Qinghai. Jointly with seven ministries, the PBC issued the Guiding Opinions on Building a Green Finance System, establishing the world's first policy framework to systemically promote green finance.

Further strengthening risk prevention institution-building

A differentiated risk-based premium mechanism was introduced in deposit insurance to reinforce the early rectification of risks, to strengthen positive incentives, and to urge them to improve their business operations with enhanced risk prevention. A multi-layered and categorized regulatory mechanism was put in place to supervise non-bank payment institutions. The PBC improved regulations on customer reserves at payment institutions to prevent embezzlement. Categorized management of personal bank accounts was introduced nationwide. Efforts were also made to regulate unlicensed payment services and to crack down on new types of crimes using telecommunications and the Internet.

Outlook for financial reform

In 2017, the PBC will continue to focus on fostering market-based interest-rate pricing, adjusting and transmitting mechanisms, and improving the RMB exchange-rate formation mechanism to keep the RMB basically stable at an adaptive and equilibrium level. The macro-prudential policy framework will be further improved by including more financial activities and markets in the framework. RMB internationalization will be advanced steadily by expanding local currency settlements in bilateral trade and investments and by promoting bilateral local currency cooperation. Reform plans for development and policy financial institutions will be fully implemented to establish institutional arrangements for sustainable development

and to beef up support for the real economy. A higher priority will be attached to risk prevention. Efforts will be made to further regulate financial market innovation and development, to expedite the introduction of rules and regulations regarding asset management products and investments in the financial sector and financial holding companies by enterprises in the real sector, to improve the role of the deposit insurance scheme in risk identification and resolution, to develop a market-based exit mechanism for financial institutions, and to improve the monitoring, assessment, early warning, and resolution arrangements for financial risks, in particular cross-sector and cross-market risks. While actively promoting financial reform in key areas and critical links, the PBC will secure the bottom line of preventing systemic financial risks.

Column

Revision of the Articles of Association for Development Financial Institutions and Policy Banks

In line with the overall reform plan of the China Development Bank (CDB), the Agricultural Development Bank of China (ADBC), and the Export-Import Bank of China (EximBank), the PBC accelerated the revision of the articles of association in cooperation with the relevant agencies. The State Council approved the articles of association of the three banks in December 2016.

The revision of the articles of association follows three principles. First, in line with the reform of the socialist market economy, the PBC carried out the call of the central government in its reform plan for the three banks and clarified and refined the implementation measures proposed in the plan. Second, by systematically studying the philosophies, frameworks, and content of the legislation or the articles of association governing policy-oriented financial institutions both at home and abroad, the PBC drew on the good practices and made the necessary revisions. Third, in accordance with the need for economic and financial reforms and development as well as to underpin national strategies and the national policy orientation, the PBC consistently called on financial institutions to establish a modern governance system and to promote the setting-up of a sustainable development mechanism.

The revised articles of association defined the organizational structures, Party leadership, responsibilities, business scope, management, sources of funding, governance, risk control and supervision, information disclosure, and human resources management of the three banks. The key contents are listed as follows:

First, the market positioning and mandates of the three banks were formulated. Consistent with the reform plan, a chapter dedicated to development or policy-oriented finance was added in the articles of association, with clearly defined roles of the CDB as a development financial institution and the ADBC and the EximBank as policy-oriented banks, constituting the most prominent feature of the articles of association of the three banks.

Second, the main supporting areas of the three banks were articulated, namely, the key areas and weak links in the economy at the present stage. The CDB was designed to provide support for infrastructure development, basic industries and pillar industries, the new urbanization drive, the upgrading and restructuring of traditional industries, energy-savings and environmental protection initiatives, advanced equipment manufacturing, affordable housing projects, poverty alleviation, and facilitation of the overseas development of Chinese enterprises. In addition to traditional foreign trade, the supporting areas for the EximBank are cross-border investments and overseas development by enterprises, especially enterprises in the field of science and technology and culture as well as small and medium-sized enterprises. The CDB and the Eximbank are also expected to support the Belt and Road Initiative, international cooperation in productivity development and equipment manufacturing, infrastructure interconnectivity, international cooperation for energy-savings and other national strategic areas. The mid-to-long-term credit for the stockpiling of grain, cotton, and edible oils, and infrastructure development in the rural areas, agriculture, and water conservancy are the two main mandates for the ADBC. In addition, the ADBC is also expected to support the development of modern agriculture, comprehensive development of agriculture, urban-rural integration endeavors, poverty alleviation and relocation, and the development of unique industries.

Third, governance of the three banks has been clarified. In line with international practices, in general, directors of development and policy-oriented financial institutions are proposed by the government. The articles of association clearly define that the boards of directors of the three banks are to be composed of executive directors, directors from ministries, equity directors from among senior bank executives, or directors appointed by the relevant ministries under the State Council and shareholders, respectively. The role of the board of directors in strategy formulation, annual planning, decisionmaking for key projects, and management of major issues and business scope adjustments was strengthened so as to guarantee scientific and efficient decisionmaking of the three banks and thus to better serve the national strategy.

Fourth, the capital constraint mechanism of the three banks was spelled out, featuring the capital adequacy ratio requirement. According to the articles of association, the three banks follow the unified risk weighted measures in calculating their capital adequacy ratio, giving consideration to the actual risk weight of the development and commercial businesses of the CDB and of the policy-oriented and proprietary businesses of the Eximbank and the ADBC. A 10.5 percent capital adequacy ratio requirement will be implemented in accordance with that banks that are not important for the system.

The articles of association establish a significant institutional foundation for the organization and operation of the three banks, strengthened capacity building, and give full consideration to the role of development and policy-oriented finance. They are conductive to encouraging the three banks to strengthen market positioning, improving institutional building for a modern governance structure, and establishing a sustainable development mechanism. Hence, the three banks will be in a better position to facilitate stable growth, economic restructuring, shantytown renovation, infrastructure construction, foreign trade activities, and the endeavors by goingglobal enterprises.

FINANCIAL MARKET

In 2016, China's financial market functioned soundly and smoothly; product innovation was actively promoted; the market became more dynamic as market participants became more diversified; fundamental market institution-building continued to improve; and the market opening proceeded smoothly. These have enabled the financial market to play a positive role in supporting the supply-side structural reform and in meeting the financing needs of the real economy.

Performance of the money market

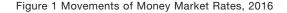
The size of transactions increased substantially. During the year, turnover on the money market reached RMB697.22 trillion on a cumulative basis, surging by 33.57 percent year on year. In terms of the breakdown, the turnover of interbank lending hit RMB95.91 trillion, soaring 48.18 percent year on year; pledged repos increased 30.37 percent over the last year to reach RMB568.27 trillion, and outright repos added 29.26 percent over the previous year, reaching RMB33.03 trillion.

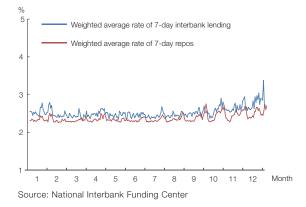
In terms of the maturity structure, shortterm transactions remained the most active. On the money market, transactions with terms of 7 days or less accounted for 96.40 percent of the total, up 0.34 percentage point over the last year. In particular, the share of overnight lending constituted 85.52 percent of the total, edging up 0.52 percentage point over the previous year.

Market rates went up slightly. During the year, the weighted average interest rate of interbank lending was 2.18 percent, rising 14 bps compared with the previous year, the weighted average repo rate among deposit

institutions stood at 2.09 percent, up 17 bps from the previous year, thus pushing up the overall level of market rates.

Rate movements showed that money market rates remained broadly stable amid mild fluctuations during the first three quarters, but all rates began to fluctuate upwards during the fourth quarter (Figure 1).





Large commercial banks were the biggest lenders. During the year, the biggest net lenders on the money market were policy banks, large commercial banks, and jointequity commercial banks, with net lending standing at RMB150.82 trillion, RMB108.46 trillion, and RMB40.64 trillion, respectively, representing 48.34 percent, 34.76 percent, and 13.03 percent of the total. The biggest borrowers were rural financial institutions, securities firms, and urban commercial banks whose net borrowing posted RMB83.41 trillion, RMB66.47 trillion, and RMB57.99 trillion, respectively, accounting for 26.73 percent, 21.31 percent, and 18.59 percent of the total.

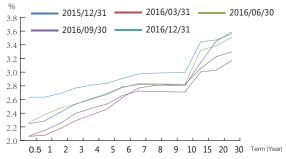
Performance of the bond market

The overall volume of bond issuances grew rapidly, but it slowed down moderately during the fourth quarter. During the year, the total issuance of bonds posted a cumulative RMB35.6 trillion, surging 55.5 percent year on year, among which local government bonds, corporate bonds, and interbank Certificates of Deposit (CDs) experienced rapid growth. At year-end, outstanding bonds of all kinds stood at RMB63.8 trillion, advancing 30.8 percent year on year.

Spot bond trading increased substantially. During the year, spot bond transactions on the interbank bond market registered RMB127.1 trillion, with the average daily turnover rising 45.4 percent year on year to reach RMB506.3 billion. A breakdown by market participants shows that small and medium-sized Chinese banks and securities institutions were the major sellers, with net selling of RMB4.5 trillion throughout the year, whereas other financial institutions and vehicles were the primary buyers, with net buying of RMB4.1 trillion. A breakdown by types of bonds reveals that transactions of spot government bonds on the interbank bond market amounted to RMB14.6 trillion throughout the year, representing 11.5 percent of total spot bond trade on the interbank market, whereas that of spot financial bonds and corporate debentures amounted RMB77.6 trillion and RMB34.5 trillion, respectively, accounting for 61.1 percent and 27.2 percent of the total. The turnover of exchange-traded spot bonds surged 54.7 percent over the previous year, reaching RMB5.3 trillion.

The bond yield curve flattened and moved upwards. At year-end, the yields of 1-year, 3-year, 5-year, 7-year, and 10-year government bonds stood at 2.65 percent, 2.78 percent, 2.85 percent, 2.99 percent, and 3.01 percent, up 30 bps, 22 bps, 11 bps, 12 bps, and 14 bps, respectively, over the beginning of the year, and the spread between 10-year and 1-year government bonds was 36 bps, narrowing by 16 bps compared with the beginning of the year. Over the course of the year, the bond market initially strengthened but then weakened. From the start of the year to early April, the yield curve steepened, as the short-term end of the government bond yield curve moved downwards, while the long-term end went up amid fluctuations. From early April to early June, the yield curve moved upwards due to the combined effects of rising commodity prices, upbeat economic performance, the inclusion of financial services in efforts to replace the business tax with a value-added tax, and mounting expectations of rate hikes by the US Federal Reserve. From mid-June to mid-October, the yield of government bonds dropped steadily against the backdrop of the Brexit vote, weaker-than-expected macro economic data, and increased fund allocation pressures on financial institutions. After late October, the yield curve of government bonds moved up after some corrections in the bond market (Figure 2).





Source: China Central Depository and Clearing Co., Ltd. (CCDC)

Market investors became more diversified and the number of overseas institutions increased. During the year, the eligibility criteria for institutional investors in the interbank bond market was clarified and the scope of investors was expanded. As of year-end, the number of interbank market participants increased by 4 491 over the end of the previous year to 14 127. Among them, the number of domestic incorporated institutions was 2 329, an increase of 235 over the previous year, that of domestic non-incorporated institutional investors was 11 391, a rise of 4 151 over the previous year, and that of foreign institutional investors grew by 105 year on year, totaling 407.

Performance of the RMB financial derivatives market

Transactions of RMB interest-rate derivatives grew steadily. During the year, the RMB interest-rate swap market saw 87 849 contracts, jumping 35.50 percent year on year, with the notional principal amount climbing 19.95 percent year on year to reach RMB9.92 trillion. A breakdown by the term structure shows that 1-year contracts and contracts under 1 year constituted the bulk of the total transactions, with the nominal principal amount totaling RMB7.87 trillion, accounting for 79.32 percent. In terms of the reference rates, the floating end of the RMB interest rate swaps mainly used the 7-day repo fixing rate and the Shibor as the reference rates, with the share of the nominal principal of swaps using these two rates at 85.92 percent and 13.85 percent, respectively. There were eight plain vanilla bond forward contracts throughout the year, with a total turnover of RMB100 million, and eight plain vanilla interest-rate derivative contracts, involving a total value of RMB800 million.

Credit derivatives were further diversified. After introducing the first two basic credit derivatives, i.e., credit risk mitigation contracts and credit risk mitigation warrants (CRMW) in 2010, the National Association of Financial Market Institutional Investors (NAFMII) in September 2016 published the revised *Business Rules for the Pilot of Credit Risk Mitigation Instruments on the Interbank Market* and guidelines for relevant products after filing and being approved by the PBC. Two credit risk mitigation instruments with simple structures were launched, namely, credit default swaps (CDS) and credit-linked notes. As of the end of 2016, after filing, a total of twenty-four commercial banks, securities firms, non-financial institutions, and non-incorporated financial vehicles had participated in the credit risk mitigation instrument market. Among them, eleven participants concluded nineteen CDS contracts, with a total notional principal of RMB370 million. In addition, the interbank market saw one CRMW in 2016, with a notional principal of RMB800 million.

Performance of the foreign exchange market

Cumulative turnover of the RMB foreign exchange (FX) market was USD20.3 trillion (with an average daily turnover of USD83.2 billion), adding 14.3 percent over the previous year. Among this, the turnover of the bank and client market and the turnover of the interbank FX market¹ stood at USD3.4 trillion and USD16.8 trillion, respectively.

Transactions on the spot FX market increased. During the year, cumulative transactions on the spot FX market reached USD8.8 trillion, jumping 7 percent year on year. Among this, spot FX purchases and sales by banks (excluding the honoring of forwards contracts) declined 14.4 percent from the previous year to USD2.9 trillion on a cumulative basis, whereas transactions on the interbank spot market surged 21.9 percent over the last year to a cumulative USD5.9 trillion.

Transactions on the FX forward market dwindled. During the year, the cumulative turnover on the FX forward market stood at USD378.3 billion, a slash of 23.6 percent compared with the previous year. Among this, FX forward purchases and sales between banks and clients reached USD225.4 billion, with FX purchases and sales posting USD70.3 billion and USD155.1 billion, respectively, plunging 50.8 percent, 46.7 percent, and 52.4 percent, respectively, from the previous year. The cumulative turnover on the interbank forward market grew 3.1 times compared with the previous year, posting USD152.9 billion.

Transactions on the swap market expanded. During the year, the FX and currency swap market witnessed cumulative trading of USD10.1 trillion, gaining 17.7 percent year on year. Among this, the cumulative contractual amount of FX and of currency swaps between banks and their clients slumped 56.0 percent from the previous year to USD106.8 billion, whereas the cumulative turnover on the interbank FX and currency swap market jumped 19.9 percent over the previous year to USD10.0 trillion.

The FX option market became more dynamic. The value of yearly trading reached USD955 billion, 1.4 times that of the last

Note: 1 Hereafter, "the turnover of banks and clients market" is the total FX purchases and sales by clients, whereas "the turnover of the interbank FX market" refers to the unilateral trading volume.

year. During the year, the cumulative turnover between banks and their clients posted a cumulative USD207.9 billion, surging 79.3 percent over the previous year, and that on the interbank options market grew 1.6 times over the previous year, posting USD747.1 billion.

Performance of the gold market

After a rally, gold prices declined due to factors such as the Brexit vote, the negative interest-rate policy adopted by a number of central banks, and the rate hikes by the US Federal Reserve. At year-end, the Au9999 traded on the Shanghai Gold Exchange (SGE) closed at RMB263.90 per gram, rising 18.42 percent year on year. Trading on the gold market grew rapidly. The full-year trading volume of gold on the SGE soared 42.88 percent over the previous year to reach 487 000 tonnes, and that of gold futures on the Shanghai Futures Exchange surged 37.30 percent year on year to reach 695 000 tonnes.

Market institution-building and policy measures

The mechanism for government bond yield curves was improved. First, the term structure of government bonds became more diversified; the issuance of shortterm government bonds became more frequent; and the long-term end of the government bond yield curve was improved based on published key terms and shortterm government bond yield curves. For the first time, the PBC and the Ministry of Finance (MOF) published the yield of 30year government bonds on their respective Websites. Second, the PBC and the MOF jointly released the *Circular on the Establishment of a Supporting Mechanism for Market-Making of Government Bonds* and the *Notice on Publishing Operational Rules for Supporting the Market-Making of Government Bonds*, which aimed at putting in place a supporting mechanism for the market-making of government bonds, increasing liquidity on the secondary market, and further improving the yield curve of government bonds.

Product innovation was actively promoted. First, financial institutions and enterprises were encouraged to issue green bonds to support the development of a green economy and an ecological civilization. During the year, the total issuance of green bonds posted RMB202.09 billion. Second, financing channels for poverty alleviation were broadened and innovation was promoted with respect to ways of providing financial services in poverty-stricken areas. With the introduction of the special financial bonds for poverty alleviation by relocation and the first poverty alleviation social impact bond, the total size of related bond issuance was RMB67.6 billion, thereby tapping the role of the financial market to support targeted efforts to reduce poverty and to lift people out of poverty. Third, with guidance from the PBC in efforts to study and improve credit risk mitigation instruments, the NAFMII launched the CDS and credit-linked notes. Fourth, the PBC provided guidance to the Shanghai Clearing House to introduce centralcounterparty clearing for RMB electrolytic copper swaps and Shanghai carbon emission quota forwards. Fifth, combined forwards and options products were launched on the interbank FX market; the options volatility curve was improved; FX swap portfolio compression was launched on a trial basis, and central-counterparty clearing was expanded to FX options.

Fundamental institution-building was further improved. First, the over-thecounter bond business was promoted, as the Administrative Measures for the Overthe-Counter Business on the National Interbank Bond Market were released, which enabled more diversified institutions to participate, further increased the types of products, and established regulations on the trading, custody, and settlement of overthe-counter bonds. Second, the Notice on Issues Concerning Improving the Issuance of Financial Bonds by Development and Policy Banks was published, which further streamlined the procedures for issuing policy financial bonds, and diversified the methods of issuance. Third, administration of bond market access was strengthened, as the PBC issued the Eighth Circular of the People's Bank of China in 2016, along with supporting implementation details, which clarified the eligibility criteria for institutional investors, expanded the scope of investors, and optimized the filing, account opening, and access to network procedures. The PBC conducted inspections on relevant business activities in line with the laws and regulations and underscored the oversight and selfregulatory responsibilities of intermediaries and self-regulatory organizations. Fourth, the NAFMII amended and implemented the Business Guidelines for Market-Marking on the Interbank Bond Market and the Indicator System for Assessing Market-Marking on the Interbank Bond Market, which improved the administrative rules for market-making. Fifth, the Notice of the General Administration Office of the People's Bank of China on Regulating the Gold Accounts of Banking Financial Institutions was published, clearly requiring gold accounts to be linked to physical gold and forbidding leveraging. Sixth, the Shanghai Gold Benchmark Price, centralized RMB-denominated gold pricing, was introduced to further improve the RMB pricing-mechanism of the gold market. Market-making was officially introduced to the gold price inquiry market in an effort to build a multi-tiered gold market. Seventh, the PBC supported the development of a self-regulatory mechanism on the FX market so as to regulate FX transactions and to promote orderly FX market development. Eighth, the PBC streamlined administration and delegated powers on the FX market by broadly extending the floor of the banks' overall position in FX purchases and sales and diversifying the banks' delivery of forward FX settlements on behalf of clients in a bid to help banks and enterprises manage exchange-rate risks.

The opening up of the financial market proceeded smoothly. First, the issuing size and the scope of issuers for panda bonds continued to expand as foreign governments and international development agencies issued bonds on the Chinese market. As of year-end, panda bonds issued by overseas institutions on the interbank bond market posted RMB63.1 billion on a cumulative

basis. Second, SDR bonds were successfully issued. The World Bank Group and Standard Chartered issued a total of RMB600 million of SDR bonds on China's bond market. which was a strategic move to promote wider use of the SDR and to advance the internationalization of the RMB and the opening-up of China's financial market. Third, more eligible overseas institutional investors were given access to China's financial market as the quota limits were removed and the administrative procedures were streamlined. The PBC released the Third Circular of the People's Bank of China of 2016, along with supporting rules, to further broaden the scope of overseas institutional investors and to increase administrative efficiency. Fourth, the international board of the SGE was further developed. The number of members and their nationalities continued to grow as the number of international members from fourteen jurisdictions, jumped from sixtythree at the beginning of the year to sixtyseven at the end of the year. The Dubai Gold and Commodities Exchange was authorized to develop RMB-denominated futures contracts based on the Shanghai Gold Benchmark Price, representing substantial progress in international cooperation. Fifth, the PBC continued to give qualified overseas institutions access to China's interbank FX market by allowing them to engage in foreign currency lending activities in China. Sixth, the PBC guided and supported institutions providing market infrastructure in their efforts to forge cross-border cooperation so as to make it more convenient for overseas institutional investors to invest in the interbank bond market. Further, the PBC communicated and coordinated with relevant agencies to diversify tools for hedging FX risks and optimizing the soft environment for bond market investments by improving legal, tax, accounting, auditing policies, and credit ratings.

Column

The Shanghai Commercial Paper Exchange

According to the requirements of the State Council, the PBC promoted the construction of a unified national commercial paper exchange platform, and established the Shanghai Commercial Paper Exchange to strengthen the institutional construction of the commercial paper market, to improve the market infrastructure, to prevent risks of commercial paper, and to promote the orderly and healthy development of the commercial paper market. On December 8th 2016, with the launch of the unified national commercial paper exchange system, the Shanghai Commercial Paper Exchange was established. As of end-2016, a total of forty-three members and 527 participants were connected with the exchange system of the Shanghai Commercial Paper Exchange, and the cumulative trading volume reached 113 transactions and the trading value reached

RMB486 million within seventeen trading days; the volume of commercial paper custody numbered 136, with a value of RMB548 million; 44 551 paper acceptances were registered, with a value of RMB21.02 billion; and 176 paper discount bills were registered, with a value of RMB703.4 billion.

In line with the launch of the unified national commercial paper exchange system, the circulation in paper, off-line transactions, and non-transparent information that had lasted for more than two decades in China's commercial paper market came to an end, and the electronic trading of paper notes, paperless collections, and delivery versus payment (DVP) clearing were put into operation, which made the circulation of commercial paper open and transparent and ended "one bill sold twice or more", "off-balance sheet transactions", and other illegal behavior.

As a unified national commercial paper exchange platform, the Shanghai Commercial Paper Exchange provided registration and custody, exchange and clearing, as well as information services, which substantially increased market transparency and transaction efficiency and prevented risks of commercial paper; promoted innovations of commercial paper products and transactions; enriched and strengthened the function and specialization of the market, with its advantages of closing to the market and serving the market; improved financial regulation by the PBC optimized monetary policy transmission, and enhanced the capability of the financial industry to serve the real economy.

RMB INTERNATIONALIZATION

In 2016, the PBC promoted the RMB internationalization in a steady and wellsequenced manner, following the principle of better serving the real economy. The cross-border RMB policy framework was further optimized, the RMB crossborder financial transactions grew steadily, the infrastructures underpinning the international use of the RMB continued to improve, and international cooperation on the use of the RMB progressed. RMB internationalization played a positive role in effectively lowering exchange rate risk for market entities and promoted trade and investment facilitation.

International use of the RMB grew steadily

The IMF's updated SDR basket, which included the RMB came into force on October 1, representing a major milestone in promoting the international use of the RMB. According to statistics by the SWIFT, in December 2016 the RMB was the world's 6th largest payment currency, with a market share of 1.68 percent.

The RMB ranked the 2nd in China's cross-border receipts and payments for six consecutive years. In 2016, cross-border RMB receipts and payments totaled RMB9.85 trillion, falling 19 percent from the previous year, accounting for 25.2 percent of the total cross-border receipts and payments during the same period. During the year, crossborder RMB receipts posted RMB3.79 trillion in real terms, whereas RMB payments in real terms stood at RMB6.06 trillion, with the ratio of receipts to payments at 1:1.6. In 2016, RMB settlements under the current account reached RMB5.23 trillion, a year-on-year decrease of 28 percent, and RMB settlements under the capital account dropped 5 percent to RMB4.62 trillion. As of year-end, about 240 000 domestic enterprises had used the RMB as a settlement currency, banks from 129 foreign jurisdictions had opened 3 520 RMB nostro accounts in China, and enterprises from 146 foreign jurisdictions opened about 29 400 RMB non-resident accounts in China.

RMB cross-border financial transactions proceeded in an orderly fashion. As of yearend, a total of 407 overseas institutions had gained access to China's interbank bond market, with a total filed quota of RMB1.97 trillion. The number of overseas RQFII pilot jurisdictions rose from 16 to 18 at the end of 2015. Among the qualified foreign institutions, 177 were granted a total investment quota of RMB528.48 billion. As of year-end, domestic RMB financial assets held by overseas institutions and individuals totaled RMB3.03 trillion. In particular, outstanding domestic RMB stocks and bonds held by overseas institutions stood at RMB649.19 billion and RMB852.62 billion respectively. The number of overseas central banks (or monetary authorities) holding RMB-denominated reserve assets continued to increase. By the end of the

year, preliminary statistics showed that over 50 overseas central banks or monetary authorities held RMB financial assets in China and included them in their foreign exchange reserves.

The policy framework was further optimized for cross-border RMB business

The PBC continued to open up the interbank bond market. In February, it issued a circular that clearly stipulated that eligible overseas institutional investors could engage in spot bond trading and other transactions on the interbank bond market. Measures were taken to further facilitate investments by eligible overseas institutions in line with the laws and regulations of the interbank bond market to encourage overseas institutional investors to seek medium and long-term investments on the interbank bond market.

Macro-prudential management was introduced for a full-spectrum of crossborder financing. In April, the PBC published the Notice on Introducing Nationwide Macro-Prudential Management for Full-Spectrum Cross-Border Financing, clearly stipulating that domestic non-financial enterprises (excluding government financing vehicles and real estate companies) and incorporated financial institutions established with the approval of the PBC, the CBRC, the CSRC, and the CIRC could actively engage in local and foreign currency cross-border financing on their own, subject to the ceiling on risk weighted outstanding cross-border financing calculated with capital or net assets.

Overseas RMB lending by domestic enterprises was further regulated. In November, the PBC published the *Notice on Further Clarifying Issues Regarding Overseas RMB Lending by Domestic Enterprises*, clearly spelling out the business procedures for and policies on overseas RMB lending by domestic enterprises and introducing consolidated macro-prudential management that looks at both local and foreign currency lending activities, in an effort to guide the orderly development of overseas RMB lending.

The PBC developed statistics and monitoring systems as well as a macro-prudential management framework for panda bonds. In December, it published the *Notice on Cross-Border RMB Settlement for RMB Bonds Issued by Overseas Institutions in China*, which unified the rules on account opening, fund depository, cross-border transfers, and data reporting for the panda bonds.

Pilot practice for cross-border RMB business innovations at regional levels were promoted on a trial basis

In March, the PBC allowed Tianjin, Guangdong, and Fujian to introduce new types of business in the free trade zone, including personal cross-border RMB businesses under current account and direct investment, two-way cross-border RMB fund pooling activities by multinationals, the reflow of RMB funds raised by financial institutions and enterprises through the issuance of RMB bonds on off-shore markets, and overseas RMB loans extended by banks. In March, new businesses were introduced in Chongqing, including personal cross-border RMB settlements under the current account, overseas RMB investments by private equities, and the issuance of RMB bonds by enterprises in Singapore. The pilot program, which allows enterprises located in Qingdao's financial reform pilot zone for wealth management to borrow RMB from South Korean banking institutions, was expanded throughout Shandong province.

In April, businesses launched on a trial basis in Suzhou Industrial Park and Tianjin Eco-City were introduced to all areas in Suzhou and Tianjin, including allowing enterprises to borrow RMB from Singaporean banking institutions, and to issue RMB bonds in Singapore, as well as allowing personal cross-border RMB settlement under other current account items, and overseas RMB equity investment.

The infrastructure for RMB internationalization was further improved

The PBC continued to promote the development of the Cross-Border Interbank Payment System (CIPS) and increased the number of direct participants. In July, the Bank of China (Hong Kong) Ltd. became a direct participant in the CIPS, the first overseas direct participant, contributing substantially the growth of the CIPS. As of year-end, participants in the CIPS included 28 direct participants and 512 indirect participants, covering 80 jurisdictions on six continents.

International cooperation on the use of the RMB yielded remarkable results

Overseas RMB clearing arrangements

were further expanded. To support off-shore RMB business development, in 2016 the PBC signed with the US Federal Reserve and the Central Bank of the Russian Federation a memorandum of cooperation on establishing RMB clearing arrangements in the two countries. It designated the New York Branch of the Bank of China, the Industrial and Commercial Bank of China (Moscow), and the Dubai Branch of the Agricultural Bank of China as the RMB clearing bank in the US, Russia, and the United Arab Emirates. As of year-end, the PBC had established RMB clearing arrangements in 23 jurisdictions, covering Asia, Europe, the Americas, Oceania, and Africa. The RMB clearing volume through overseas clearing banks reached a cumulative total of RMB273.05 trillion in 2016, of which RMB33.03 trillion was for clients and RMB240.02 trillion was for inter-banks.

Bilateral currency cooperation was further deepened. In 2016, the PBC signed bilateral local currency swap agreements successively with 3 central banks, in Morocco, Serbia, and Egypt, with a total size of RMB29.5 billion. It renewed the bilateral local currency swap agreements with 4 central banks, namely, the Monetary Authority of Singapore, the Central Bank of Hungary, the European Central Bank, and the Central Bank of Iceland, with a renewed swap size of RMB663.5 billion. As of year-end, the PBC had signed bilateral local currency swap agreements with central banks or monetary authorities in 36 jurisdictions, with the total size of the agreements exceeding RMB3.3 trillion, which played a positive role in facilitating bilateral trade and investment, and safeguarding financial stability.

Column

The Mutual Stock Market Access Mechanism between Shenzhen and Hong Kong (Shenzhen-Hong Kong Stock Connect)

Since the launch of the Shanghai-Hong Kong Stock Connect Pilot Program in November 2014, the market operated smoothly and orderly, and investors responded actively, accumulating successful experience for the two-way opening up of China's capital market. Two years later, on December 5, 2016 Shenzhen-Hong Kong Stock Connect Pilot Program was launched, providing a new investment channel for investors in the Mainland and Hong Kong.

The principal arrangements for the Shenzhen-Hong Kong Stock Connect are made with reference to those under the Shanghai-Hong Kong Stock Connect and by following the existing laws and regulations and operational models governing trading and clearing in each market. First, listed companies continued to be subject to their local listing and other regulations. Similarly, the rules of the market where the trading and clearing activities occur apply to those activities. Second, cross-border clearing is conducted through a direct link established by the China Securities Depository and Clearing Corporation Ltd. and Hong Kong Securities Clearing Company Ltd. Third, the range of eligible shares is set by the regulators and the stock exchanges in the Mainland and Hong Kong. Fifth, the current qualified domestic institutional investors ("QDII") and the qualified foreign institutional investors ("QFII") schemes continued to be implemented.

Eligible investment target. With respect to the Northbound Shenzhen Trading Link, eligible shares refer to any constituent stock

of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index with a market capitalization of RMB6 billion or more and all SZSE-listed shares of companies which issue both A shares and H shares. With respect to the Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect, the scope of eligible shares are the constituent stocks of the Hang Seng Composite LargeCap Index and the Hang Seng Composite MidCap Index, and any constituent stock of the Hang Seng Composite SmallCap Index, that has a market capitalization of HK\$5 billion or more, and all SEHK-listed shares of companies which issue both A shares and H shares. To further enrich the variety of traded products and to provide more risk management options and convenience for domestic and overseas investors, the CSRC and the SFC have reached a consensus to include exchange-traded funds (ETFs) as eligible securities under the mutual market access scheme. The launch date will be announced separately after the Shenzhen-Hong Kong Stock Connect has been in operation for a period of time and upon satisfaction of the relevant conditions.

Investment quota. There is no aggregate quota under Shenzhen-Hong Kong Stock Connect. The Shenzhen-Hong Kong Stock Connect daily quota is the same as that currently under the Shanghai-Hong Kong Stock Connect, that is, a daily quota of RMB13 billion is set for the Northbound Shenzhen Trading Link and a daily quota of RMB10.5 billion is set for the Southbound Hong Kong Trading Link under the ShenzhenHong Kong Stock Connect. The investment quota may be adjusted by the parties in light of the actual operational performance.

The Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect have constructed a completed stock market connect framework between the Mainland and Hong Kong, which is conducive to improving the two-way opening up of China's capital market, providing more investment channels for domestic investors, optimizing the investor structure of the domestic capital market, and expanding the depth and scope of the domestic capital market. It is helpful for increasing channels for Hong Kong RMB asset holders to invest in the domestic market, strengthening the status of Hong Kong as a global RMB business hub, promoting the stability of the Hong Kong financing system and financial market; and it is beneficial for integrating the capital, technology, information, wisdom and culture of the Mainland and the Hong Kong market and it will better facilitate the economic and financial development of the Mainland, Hong Kong, and the rest of the world.

FOREIGN EXCHANGE ADMINISTRATION

Since 2016, following the guidance of the CPC Central Committee and State Council, the PBC adhered to the overall principle of making progress while maintaining stability. Faced with the fluctuations in the foreign exchange market, the PBC jointly planned to take into consideration both the facilitation of trade and investment and the prevention of risks caused by cross-border capital flows and it focused on maintaining stability in the foreign exchange market.

Great efforts made to promote reform

The SAFE continued to promote the reform of foreign exchange administration, which, for immediated interest, is conducive to maintaining the international payment balance and preventing current risks associated with cross-border capital flows. For long-term interests, it can help promote the opening of the financial market and the convertibility of the capital account. First, the SAFE promoted the opening-up of the interbank bond market, allowed foreign institutional investors to participate in this market and put no limit on a single institution's quota or the overall quota. Second, it promoted comprehensive macro-prudential regulation of cross-border financing throughout the country, alleviating the problems of difficult access to funding and the high costs of funding for enterprises. Third, the foreign exchange administration reformed the QFII. In February and August 2016, the SAFE successively promoted reform of foreign exchange administration of the QFII and the RQFII. It lifted the limit on a single institution's investment quota, simplified approval and administration of quota, and loosened the limit on the lock-up period. This has further facilitated the inflow and outflow of capital and has expanded the opening-up of the domestic capital market.

Further promotion of trade and investment facilitation

First, the SAFE promoted trade facilitation. It simplified entry into the account of foreign exchange receipts from trade in goods for A-level enterprises, permitted the bank to conduct electronic document examinations for qualified enterprises, and promoted facilitation of foreign exchange receipts and payments of trade in goods. It introduced facilitation measures for personal receipts and settlements of foreign exchange from trade in goods, and simplified the processing procedures for documents. Second, the SAFE uniformly standardized and simplified the settlement policy for foreign exchange under the capital account. The voluntary settlement policy of the external debt fund was fully implemented. This unified the settlement policy of foreign exchange revenue under the capital account for domestic institutions and greatly shortened the negative list of revenue and use of settled funds under the capital account. Third, the SAFE facilitated foreign exchange revenue and expenditure of insurance institutions. By simplifying administrative approvals and delegating relevant permissions, facilitation of insurance institutions in foreign exchange revenue and expenditure was promoted. By the end of 2016, a total of 138 insurance institutions were qualified to carry out foreign exchange business throughout the country.

Optimization of supervision of foreign exchange and strengthening of policy implementation

First, the authenticity and compliance examination of the key channels for crossborder capital flows was strengthened. Management was improved for offshore switched transactions, outward direct investments, and repatriation of profits by foreign-invested enterprises. Special inspections of trade in goods, trade in services and third-party pilot payment institutions were conducted. Illegal capital flows involving banks, enterprises and individuals were also inspected. Second, foreign exchange administration for outward direct investments was improved. Close attention was paid to the inclinations of irrational outward investments. Efforts were made to prevent potential risks of outward investment featuring big and non-principle business investments, outward investments of limited partnerships, "big subsidiaries with small parents", and "fast establishment and outflows of capital". Third, supervision of the foreign exchange business was improved. The Banks' Assessment Criteria of 2016 was edited and published, and management of foreign currency exchange institutions and automatic exchange machine was perfected to enhance compliance awareness of institutions conducting franchised business operations of foreign currency exchange. Fourth, the monitoring system of individual foreign exchange businesses officially entered into operation. Under the present framework of individual foreign exchange administration, the system facilitates the operation of individual foreign exchange businesses, and also strengthens the screening of individuals' divided settlements and purchases of foreign exchange. Fifth, the SAFE severely cracked down on illegal behavior that violated the rules of foreign exchange administration. In 2016, the SAFE investigated and handled a total of 1996 cases violating the rules of foreign exchange administration. It also joined efforts with the public security bureaus to crack down on 83 cases involving underground banking activities and illegal transaction in foreign currencies.

Innovations during in-process and expost supervision

First, a self-disciplinary platform for the banks was established. 14 core member banks were guided to sign the *Convention on Bank Business of Foreign Exchange Transactions*, and the establishment of a national self-disciplinary mechanism for the foreign exchange market at the provincial level was completed. Second, cross-sector joint supervision was promoted. The SAFE, together with the NDRC and the Ministry of Commerce, jointly strengthened regulation of cross-border direct investments. It enhanced information sharing with the SAT and established a joint incentive and punishment mechanism. It also strengthened joint law enforcement endeavor with the public security bureaus and severely cracked down on illegal activities violating the rules of foreign exchange administration, thus safeguarding the security of the national economy and finance. Third, the SAFE promoted the establishment of the credit system for the foreign exchange market. It set up a public information system with respect to the administration procedures in accordance with the law and administrative penalties, which is accessible by public inquiries.

Reinforcement of management of foreign exchange reserves

In face of the substantial fluctuations in the global economic and financial market, changes in foreign exchange reserve were proactively and properly handled. Full play was given to the important role of foreign exchange reserves in maintaining balance of payments. The capability to cope with the external impact was further enhanced. The safety and fluidity of foreign exchange reserve assets were maintained, with their value preserved and increased. The SAFE continued to optimize the currency composition and the asset structure of foreign exchange reserves in a forward-looking manner, through improving the related analytical endeavors, the rulemaking process, the corresponding investment and trade, the risk management capability, post-investment management, and so forth. It aligned with the orientation of national strategy, and strengthened the joint coordination and the risk prevention. Through equity, debt and fund investments, it insisted on marketbased operations and endeavors, such as the national Belt and Road Initiative, International cooperation in facilitating productivity and equipment manufacturing, and the goingglobal of enterprises, so as to continued to serve as a key contributor to national economic prosperity and social development.

FINANCIAL ACCOUNTING

The PBC promoted the transformation of accounting by effective guiding and by supporting decision-making

The PBC drew up and issued the *PBC Financial Accounting Transformation Plan (2016–2020).* In reinforcing financial accounting routines and service support, the PBC highlighted balance sheet and income statement management, optimized financial asset allocation, launched matrix management, and enhanced accounting analysis and research capability, progressively leading to normalized, standardized and scientific financial accounting management.

Further efforts were made to upgrade balance sheet and income statement management capabilities by improving the balance sheet risk prevention capacity, building up the central bank financial cushion mechanism, and studying trends in the change of the balance sheet. The PBC unveiled matrix management with business sectors playing functional roles in a horizontal dimension and financial sectors playing a budget guidance role in a vertical dimension, and by allocating central bank mandates in a rational layout.

Closely following the effects of implementation of the macroeconomic policy, the PBC carried out research on the replacement of the business tax with a value-added tax in the financial industry, financial strength in the banking, securities and insurance industries, and major areas such as financial accounting transformation, maintenance and renewal management, real estate management, government's procurement, and central bank owned government asset management.

The PBC improved policy and regulations requirements to standardize central bank financial accounting behavior

Strictly following the Eight-point Guidelines of the Politburo of the Central Committee against Bureaucracy and Extravagance, the PBC continuously strengthened rulemaking for public activities by issuing a set of regulations on public reception management, conference expenditure management, and budget surplus management. The PBC issued the Opinions on Standardizing the Utilization of Official Business Vehicles and stipulated the Regulation of the PBC Branches on Major Maintenance Project Reporting Procedures. In addition, the PBC introduced some administrative rules for its affiliated enterprises and institutions, such as investment and financing management, fund deposit management, profit (surplus) allocation management, aimed at standardizing the operation and financial management of these affiliates enterprises and institutions in a hierarchical and classified way.

The PBC seriously implemented the special inspection and correction requirement of the CPC Central Committee in a case-by-case manner and carried out special renovation and special clean-ups of related problems in all PBC branches. The PBC actively coordinated with the National Audit Office of the People's Republic of China on financial revenue in 2015 and expenditure audits and rectified existing problems during the audits producing satisfactory results. The PBC organized inspections and surveillance for self-correction of the financial accounting system, budget management regulations and risk identification for in-building projects and repair and renovation projects.

The PBC promoted official vehicle reform in affiliated enterprises and institutions with the measurement of savings rates in the reform of the official vehicle system of the PBC Head Office. The large renovation project database on province-municipal-county threelayer branches took shape. More efforts were made to maintain county-level branches and for renovation management with maintenance funds allocated directly to specific projects. Asset checks were unfolded with detailed checks on tangible assets, value, property rights, utility and daily management of fixed assets.

The PBC made innovations in financial management tools to better serve the mandates of the central bank

The PBC advanced construction of the standardization system by guiding the PBC branches to set up currency issuance and security expenditure quota standard, mapping out business office standards with deeper inspection and guidance of infrastructure project, and strengthening management of fixed-asset standards with research on asset allocation standardization. The entire process of the performance management mechanism for targeted management, implementation monitoring and performance monitoring was further improved. In 2016, performance evaluation targets were set for all branches, and the percentage of performance evaluation project expenditure rose to 65% of the project expenditures. Evaluation target covered all branches higher than the municipal-level branches and a project budget assessment mechanism took shape to promote the project management system.

The PBC Affiliates Management Committee was established to clarify the roadmap and requirements for the reform of the PBC affiliates management system. Administrative responsibility was strictly specified on three major issues and one large amount fund¹. The PBC carried out inspections of major projects and modified the performance evaluation system of affiliates. In addition, the PBC promoted a major reform of affiliates and supported the construction of financial infrastructure service institutions.

The Financial Comprehensive System I was successfully launched with daily compilation of the RMB balance sheet. Business requirement analysis was clarified for the financial, budget, collective procurement module of the Financial Comprehensive System II to strengthen data sharing and information exchanges.

Local liaison stations played a greater role to improve targeted allocations and to provide more financial resources to grassroots level branches. Furthermore, special funds for disasters were arranged to deal with typhoon and rainstorm disasters and to provide financial support to disasterstricken branches.

Note: 1 Major decision, major personnel appointment, major project arrangement, and large amount fund utility

PAYMENT SYSTEM

Stepped-up efforts were made to improve laws and regulations regarding payment and settlement

The PBC, in collaboration with the CBRC, formulated the Administrative Measures for Bankcard Clearing Institution, further advancing the market opening-up and market access. The Opinions on Promoting the Healthy Development of the Bankcard Clearing Market were issued by the PBC and other departments so as to prop up the overall capabilities of bankcard clearing institutions. The PBC promulgated the Administrative Regulations on the Classified Assessment of Non-banking Payment Institutions in a bid to set up and improve the classified assessment mechanism for non-banking payment institutions (hereinafter referred to as payment institutions). The Notice on Implementing the Classification Mechanism for Personal Bank Accounts was issued, aimed at regulating the opening and use of type-II and type-III personal bank accounts. The Notice on Issues Regarding Reinforcing the Administration of Payments and Settlement to Prevent New Illegal Activities through Telecommunications Networks was issued, stipulating that an individual can only open one type-III account with a particular payment institution. In conjunction with the NDRC, the PBC issued the Notice on Improving the Pricing Mechanism for Bank Card Swiping Fees, which eliminated the classified pricing mechanism based on business industries

and put into operation a differentiated pricing mechanism between debit cards and credit cards, in an attempt to reduce the operation costs for businesses. The Notice on Issues Related to Credit Card Business was distributed, propping up the market-based reform of interest rates and fees charged on credit cards and promoting the quality of credit card services. The revised version of Methods of Settlement by Letters of Credit was promulgated in a bid to regulate letter of credit businesses on the domestic market and to promote the rapid and sound development of domestic trade. The Notice on Reinforcing Supervision of Bill Business and Promoting the Healthy Development of the Bill Market was promulgated by the PBC together with the CBRC to intensify the management of bill businesses in a comprehensive manner. The PBC also promulgated the Notice on Regulating and Promoting the Development of Electronic Commercial Draft Businesses to expand the scope of electronic commercial draft businesses. The Notice on Issues Regarding Further Regulating Administrative Penalties for Giving Blank Checks was distributed, which aimed at strengthening law enforcement criterion and constraining legal discretion. Moreover, the PBC also promulgated the Notice on Revising the Relevant Administrative Mechanisms Regarding the Payment System and amended six mechanisms, including the business handling measures of both highvalue and small-amount payment systems.

Further strengthening the supervision of the payment service market

Special projects were launched to tackle the risks of payment institutions. The PBC, together with other departments, formulated a number of plans to address relevant risks, launched inspections of risks related to clients' provisions and inter-institutional clearing businesses and rectified unlicensed payment businesses. Tough measures were adopted to crack down on crimes through telecommunications networks. The Announcement on Preventing and Combating Frauds Through Telecommunications Networks was jointly issued by the PBC and other departments. The Notice on Issues Regarding Reinforcing Payment and Settlement Administration to Prevent New Illegal Activities through Telecommunications Networks was issued. In addition, a platform was jointly set up by the PBC and the Ministry of Public Security to tackle crimes and risk events through telecommunications networks. Therefore, a mechanism for emergency suspension of payments and the rapid freezing of crimerelated accounts was established, greatly enhancing the efficiency of the public security authorities with regard to inquiries, suspension of payments, freezing of crimerelated accounts and cutting off the chain of funds in telecommunications crimes. Special projects were also launched to combat crimes regarding the illegal trading of bankcard information in an attempt to curb and crack down on crimes regarding the illegal trading of bankcard information. Classified assessment of payment institutions were carried out, based on supervisory awards or punishments. As a result, payment institutions were encouraged to enhance their compliance awareness, boost their internal controls and contribute to an orderly and healthy market. An off-site regulatory system was put into operation, marking a continuous electronic mode of off-site regulation. Renewal of the business scope of payment institutions was conducted on a continuous basis, with the business scope of a number of payment institutions enlarged or reduced. Throughout the year, a total of 92 institutions applied for renewal of their business scope, among which one institution was denied renewal due to significant violations of the laws and regulations and 10 institutions were merged. The regulation mechanism for customers' provisions was improved to safeguard against the risk of embezzlement. Stepped-up efforts were made to monitor the management of provisions. The Incentives Regarding Reporting Conduct Violating the Laws or Regulations for Payment and Settlement were promulgated. A reporting platform was set up with the Payment and Clearing Association of China, via which the public can report conduct violating the laws and regulations. As a result, the role of selfdiscipline and public supervision has been brought into full play and the supervisory database has been expanded. The handling and investigation mechanism of the incentive scheme regarding the reporting of conduct violating laws or regulations was further boosted. The PBC and the Ministry of Public Security jointly set up an office to crack down on serious payment and settlement crimes. The two authorities cooperated by imposing both criminal detection and administrative investigation on violators. The role of offsite inspection was attached greater importance.

Spot checks were conducted in four banks and two payment institutions, based on which administrative penalties were imposed on the spot. Investigations were launched into personal accounts involved in criminal cases. In addition, inspections were also made of unlicensed payment businesses and interbank settlement accounts. Both the inspectors and the institutions or the accounts that underwent investigations were randomly selected. The Principles on the Infrastructure of the Financial Market were implemented, while the leading team and the member of the office of financial market infrastructure were readjusted. Supervisory assessment was completed in terms of the infrastructure of the domestic financial market.

Continuous improvements in the payment and market infrastructure

Construction of a clearing platform for online payment was launched, aimed at providing unified clearing services for payment institutions and setting up a public platform for business innovation. Participating banks in the Cross-border Interbank Payment System (CIPS Phase I) witnessed steady growth in number, with Bank of China (Hong Kong) incorporated as an overseas direct participant. The CIPS (Phase I) covers over 70 countries and regions where RMB business is carried out, involving 28 direct participants and 512 indirect participants on both the domestic and overseas markets. A master station of the CIPS back-up system was set up in Wuxi. A switching exercise between the national operating center of the payment system and the emergency response back-up center was launched. Research was also conducted on the possibility of adjusting the functions of the High Value Payment System as well as extending the operating hours of the system. Popularization of the comprehensive front sub-systems of the Accounting Data Centralized System (ACS) concluded, with 2 608 regional banking institutions and foreign-funded banks having access to the system. The subsystems of information management, filing management and operation monitoring were operationalized and popularized nationwide. Switches between the ACS Beijing Center and the Wuhan Center were put into practices.

Payment systems of all kinds enjoyed secure and stable operation. Payment systems processed a total of 59.287 billion transactions throughout the year, with a trading volume of RMB5 114.51 trillion, a year on year increase of 26.29% and 16.70% respectively. The trading volume and value of the PBC payment system amounted to 8.009 billion and RMB3 821.35 trillion respectively, 33.58% and 21.88% more as compared with the previous year respectively.

Efforts were made to promote innovations and the orderly development of non-cash payment instruments

China Unionpay set up a mobile payment brand of Cloud Quick Pass and unveiled a series of innovative products for mobile payments. Criteria for QR code payments for enterprises were put forth by China Unionpay, while the Payment and Clearing Association of China was encouraged to accelerate the formulation of industrial criteria for QR code payments. Regulation of the bill business was reinforced in a comprehensive manner and an overhaul was conducted to detect potential risks. Efforts were made to solve the prominent problem of a lack of a unified platform for public disclosures by means of the Supreme People's Court in order to facilitate the banking institutions' inquiry of risk-related bills.

For the year, the nationwide trading volume of non-cash payments totaled 125.11 billion with a trading value of RMB3 687.24 trillion. As of year-end, the number in participants of the electronic commercial draft system totaled 426. The cumulative issuance volume and the value of the system posted 2 304.7 thousand and RMB8.34 trillion, representing year-on-year growth of 71.89% and 48.96% respectively. The total volume and value of acceptances reached 2 377.5 thousand and RMB8.58 trillion, representing year-on-year growth of 72.89 percent and 48.29 percent respectively. The cumulative discount volume and value stood at 837.7 thousand and RMB5.77 trillion respectively, representing 69.09% and 54.54% more than that in the previous year respectively. The transfer discount volume and value totaled 3 250.8 thousand and RMB49.2 trillion, a yearon-year growth of 108.77% and 122.26% respectively. The number of bankcards issued nationwide reached 6.13 billion, 12.54% more than the number in the previous year. With the continuous improvement in the market environment, the penetration rate of bankcards reached 48.47%, up 0.51 percentage points as compared to the previous year. Electronic payments maintained their rapid growth momentum. For the year, banking institutions processed 139.56 billion transactions, with trading value of RMB2 494.45 trillion. Specifically, a total of RMB46.18 billion online payments were processed, with a cumulative trading value of RMB2 084.95 trillion, representing year-on-year growth of 26.96% and 3.31% respectively. As for the payment institutions, the trading volume of Internet payments stood at 163.90 billion and the trading value totaled RMB99.27 trillion, up 99.53% and 100.65% over the previous year respectively.

Continuous improvements in the payment service environment

Construction of a payment environment in the rural areas was thoroughly investigated to sum up experiences that could be copied and popularized in other regions. The successful experiences, incorporated in the G20 Highlevel Principles for Digital Financial Inclusion, will be spread globally. The PBC was actively involved in participating in the work group in support of financial inclusion in the payment area, which was jointly established by the World Bank and the Commission of Payment and Market Infrastructure (CPMI). The PBC, in collaboration with International Finance Corporation (IFC), conducted research into the agent mode of banks that have no physical stands. The PBC also contributed to the development of e-commerce in the rural areas. Agro-linked deposit withdrawal stands were set up in collaboration with the stands for e-commerce services in the rural areas with shared resources. Innovative efforts by banking institutions and payment institutions were facilitated in order to meet the demands of e-commerce businesses in rural areas and farmers were encouraged to engage in online shopping to make online payments, and so forth.

As of year-end, a total of 18.23 million corporate accounts and 3.56 billion personal accounts had been opened with financial institutions in the rural areas, which also boasted 2.55 billion bankcards, or 2.8 cards per person, 118.4 thousand banking stands in the rural areas were connected with the interbank payment system of the PBC with a coverage ratio of 93.46%. 983.4 thousand stands for agro-linked deposit withdrawal were established, covering 531.7 thousand (over 90%) villages. For the year, the trading volume of payments in the rural area, including cash withdrawals, cash remittances, account transfers and fee payments, totaled 495 million transactions with a trading value of RMB424.78 billion.

Steadily Opening Up the Bankcard Clearing Market

In recent years, there has been rapid growth in the volume of bankcard business. By the end of 2016, 6.125 billion active bankcards had been issued throughout the country and 115.474 billion transactions had been made with a total trading value of RMB741.81 trillion. Growth of the bankcard business and its diversified and innovative development have created need for a bankcard clearing business with higher quality and efficiency. To deepen financial reform and improve the market-oriented mechanism for clearing service, the State Council in April 2015 released the Decision on Implementing Access Administration of Bankcard Clearing Institutions (hereafter referred to as the Decision), marking the complete openingup of the bankcard clearing market. In June 2016, the PBC and the CBRC jointly released the Methods for the Administration of Bankcard clearing Institutions (hereafter referred to as the Methods), which specified the detailed rules regarding market entry of bankcard clearing institutions. The Decision

and the *Method* establish the basic institutional arrangement for market opening-up and entry of institutions under the principle of encouraging competition, promoting market opening, preventing risks, maintaining financial security and safeguarding legitimate rights and interests.

First, a specified market entrance mechanism for bankcard clearing institutions. Rules were formulated to specify the conditions and procedures for bank card clearing institutions regarding operational preparation, business initiation and changes in institutional information and to clarify on the qualification criteria for board members and senior management, so as to ensure that institutions entering the market are qualified and have a sound operational capability. It is specified that domestic and foreign institutions follow the same entrance criteria and procedure, and that any qualified domestic or foreign enterprise can apply to establish a bankcard-clearing institution within Chinese territory.

Column

Second, specified rules and technical standards for the bankcard clearing business. Rules were made regarding franchise businesses, transaction processing, information transmission, capital settlements, infrastructure management, the security of financial information, anti-money laundering, counter terrorism financing, and so forth. Efforts were also made to maintain the consistency, security, stability and sustainability of bankcard clearing service, so as to ensure the secure, stable and efficient operation of the business infrastructure, to prevent business and operational risks and to safeguard the security of personal information and national financial security.

Third, to respond to the situation whereby foreign bankcard clearing institutions have already engaged in some of the cross-border bankcard clearing business denominated in foreign currencies, it is clarified as a general principle that foreign institutions that provide foreign currency clearing service only for cross-border transactions need not set up clearing institutions within Chinese territory but they should abide by the relevant business requirements and fulfill the reporting obligations. If such institutions provide services that have a strong influence on the sound operation of the bankcard clearing system of China or on public confidence in the payment business, they should set up clearing institutions within Chinese territory and apply for market access in accordance with the law. The above rules are made with full consideration of the status quo of foreign institutions providing service within China and with respect to their development history, which will facilitate the sustainability of current business of the foreign institutions and crossborder bank card transactions of domestic and foreign card holders. Moreover, it is conducive to clarifying business boundaries and institutional responsibilities and to maintaining the sound operation of the bankcard clearing system.

Promoting the opening up of bankcard clearing market is a measure to deepen financial reform. With the establishment and improvement of the relevant rules and regulations for the bankcard clearing market of China, a competitive marketplace is beginning to take shape with increasingly diversified market players, fierce competitions among bankcard institutions (brands), and multiple and distinctive clearing services offered for every party in the market. This will lead to constant optimization of the structure of the bankcard industry and will promote its healthy development. In addition, the steady establishment of a market-oriented mechanism for bankcard clearing services will bring more customized bankcard payment products to consumers and card holders, create a payment environment that is safer and more convenient, meet the increasingly diverse payment demands of the general public, improve consumption conveniences and living quality and provide better payment services for financial consumers.

BANKNOTE ISSUANCE AND MANAGEMENT

The supply of cash was guaranteed with high efficiency and low costs

In 2016, yearly net cash injection totaled RMB508.7 billion, a substantial year-onyear increase of 72%. During the peak season between the New Year and the Chinese Spring Festival, cash injections and daily cash injections peaked at RMB2.17 trillion and RMB258.4 billion respectively. Cash injections were still featured by huge amounts, high concentrations and explosive growth. In an attempt to insure the supply of cash with high efficiency, the PBC made efforts to improve the organization of the supply of cash and to set reserve management targets that were in line with the current cash demand and it optimized the structure of the cash vault. As of yearend, the nationwide stock in the cash vault had decreased 8% as compared with the beginning of the year. The stock of intact large-amount banknotes in the cash vault was 22% lower than that at the beginning of the year.

Continuous strengthening of management of RMB banknote circulation

Substantial progress was made to promote the self-circulation of coins. Efforts were made to broaden the nationwide circulation of coins and to boost the self-circulation mechanism of coins. A diversified and replicable selfcirculation mechanism of coins came into being. The management scheme for coins gradually improved after its establishment and the circulation environment was notably better. During the year, a total of 6 billion coins were self-circulated, accounting for 3.3% of the coin circulation balance at end-2015.

Quality and tidiness of RMB banknotes witnessed a substantial increase, with increasingly regulated management of banknote circulation and use. The Standards for RMB Banknotes Unsuitable for Circulation were revised. Inspections of the printing quality of RMB products and of the cash payment and receipt business of commercial banks was launched. The gross sorting of cash payments of commercial banks was realized as scheduled in provincial capital cities. As a result, the tidiness of banknotes from deposit in commercial banks and RMB cash payments was noticeably improved. Management of the RMB collectibles market was enhanced. The PBC, together with the industry and commerce authorities, cracked down on illegal advertisements and trading of RMB products, the illegal decoration of RMB banknotes in circulation as well as the illegal use of RMB banknote patterns. Administrative approvals for the use of RMB banknote patterns were launched in accordance with laws and regulations.

Enhancement of cash processing capacity

The Administrative Measures of the Cash Processing Center of the PBC were revised. Special research projects related to comprehensive cash businesses were launched. Investigations were conducted to explore the new management mode of the cash processing business. In accordance with the standards for eliminating damaged or mutilated RMB banknotes that are unsuitable for sorting, management of banknotes from deposits at commercial banks was reinforced. The destruction rate of automatically linked sorting and destroying equipment increased. A management mechanism for cash equipment was established and construction of a detection center for cash equipment was completed. Efforts were made to reinforce the procurement, allocation, and maintenance of the equipment. Work was also done to optimize banknote processing procedures. The efficiency and security of banknote processing were enhanced. In 2016, the destruction rate of automatically linked sorting and destroying equipment was 5 percentage points higher as compared with the prior year. The completion rate of damaged or mutilated banknotes destroyed by automatically linked sorting and destroying equipment and largescale equipment reached 108% and 101% respectively.

Promotion of the security of the cash vault

Construction of the second version of the banknote issuance system was actively promoted. Technical breakthroughs were made in logistics and equipment. The pilot program for the logistical management of the cash vault was steadily advanced in Jiangsu Province. A tracking management mechanism for violations by vault keepers was established. The "first in, first out" mechanism in terms of destroyed or mutilated RMB banknotes was implemented and the replacement of inspections with investigations was boosted. Research on the distribution of key vaults was carried out and construction work on cash vaults made headway. Inspections of cash vaults were launched and vaults that were found to have problems were urged to undergo rectification.

A anti-counterfeiting work was advanced in a comprehensive manner

Cross-border anti-counterfeiting work was launched in a comprehensive manner. The PBC also maintained a close cooperative relationship with the anti-counterfeiting authorities in the US, Europe, Russia, South Asia, as well as Hong Kong and Macao SAR. The Cross-border Anti-counterfeiting Center (Kunming) was established.

A anti-counterfeiting work was promoted based on focal points. Special campaigns aimed at cracking down on counterfeiting crimes were launched. Stepped-up efforts were made to crack down on the origins of counterfeiting crimes. Assessments of anti-counterfeiting work were incorporated into the comprehensive assessment system of local governments. The two assessment systems were designed to share planning, deployment, guidance and evaluation. Monitoring and management of counterfeiting crimes by means of the Internet were intensified.

Construction of the All Society Prevention System of Counterfeiting Crimes was carried out. The Guidance on Anti-counterfeiting Work of Banking Institutions, the Reward Measures on Anti-counterfeiting RMB Banknotes of the PBC, and the Administrative Measures of RMB Anti-counterfeiting Work were formulated and implemented. The anti-counterfeiting mechanism was improved. The Technical Standards for the Detection Capacity of RMB Cash Equipment were compiled, stipulating the technical requirements for cash equipment. The training mechanism for anti-counterfeiting work of commercial banks was improved, promoting transformation from a qualification examination to a training program aimed at cultivating capabilities. In 2016, a total of 540 thousand bank tellers took part in anticounterfeiting training programs, further boosting the forgery authentication capabilities of cash business practitioners. During the year, the face value of forged banknotes confiscated by banking institutions grew 13.9% year on year.

Active advance of reform and innovations in the management mechanism of common commemorative coins and gold

The issuance mechanism based on preorders of common commemorative coins was further improved. Information regarding preorders and exchange was publicized to the public on a timely basis. The mechanism of tracing the transportation of the coins and packaging management was established and responsibilities for issuance were stipulated. The issuance mechanism based on pre-orders was adopted as the sole issuance mechanism after the issuance of common commemorative coins in honor of the 150th birthday of Mr. Sun Yat-sen. Onsite issuance mechanisms were eliminated with the issuance of common commemorative coins celebrating the Chinese Lunar New Year in 2017 and, thereby further enhancing transparency of issuance of common commemorative coins.

Innovative efforts were made to regulate the import and export of gold and the management of physical gold and silver was strengthened. The pilot program of gold imports and exports with one license within the expiry date and at quota for the number of imports and exports was launched and the approval procedures were simplified. Construction of a management information system for gold imports and exports was actively advanced. Research was carried out to formulate the technical standards for checking gold and silver.

The PBC conducted in-depth studies on digital currency

The PBC deepened research and discussions on the current necessity to issue digital currency, closely tracked international studies on digital currency, actively took part in international cooperation and exchanges of experiences with respect to digital currency, conducted a thorough study of the legal system for the issuance/circulation system of digital currency and cryptographic technologies. It explored the model design for the issuance of digital currency and actively demonstrated by various means the progress in the PBC's research on digital currency.

Issuance Date	Theme	Texture	Variety	Front Cover	Back Cover	Denomi- nation (RMB)	Diameter (mm)	Issuance Amount (million sets)	Color
Jan. 16	Common Commemorative Coins Celebrating the Chinese Lunar New Year, 2016	Golden and Silver Brass Alloy	1	"The People's Bank of China", "RMB10" and its phonetic transcription "SHI YUAN" and 2016	A monkey with traditional decoration against the background of palace lantern and flowers and Chinese characters "丙申" on the left side of the coin.	10	27	500	Gold for the Outer Ring and Silver for the Inner Ring
Nov. 5	Common Commemorative Coins in Honor of the 150th Birthday of Mr. Sun Yat-sen	Brass Alloy	1	"The People's Republic of China", the Chinese characters for "Hometown of Mr. Sun Yat-sen" and denomination "Five Yuan"	The background pattern of the portrait of Mr. Sun Yat-sen with the Chinese characters for "150th Birthday of Mr. Sun Yat- sen" and "1886-2016" above the portrait	5	30	300	Gold

Commemorative Coins (Banknotes) Issued by the PBC, 2016

MANAGING THE TREASURY

Successful completion treasury receipt and payment operations

In 2016, treasury receipts and payments totaled RMB59.16 trillion, up 13.65 percent year on year. On a cumulative basis, the central treasury disbursed RMB500 billion in 8 term deposits, and received RMB530 billion as 9 treasury term deposits matured, with interest income of RMB5.6 billion. The outstanding balance was RMB80 billion at end-2016. Local treasuries made 78 term deposits that released RMB1.72 trillion, and received RMB1486.88 billion from 58 matured term deposits, with interest income of RMB12.30 billion and an outstanding balance of RMB670 billion at year-end. A total of 4 issues of savings treasury bonds (certificates) were completed, in the amount of RMB119.07 billion; and 10 issues of treasury bonds (electronic) were completed, with an amount of RMB199.19 billion. Redemption for 8 issues of savings treasury bonds (certificate type) were completed, with payment of RMB116.74 billion in principal and RMB 24.01 billion in interest.

Improved treasury institutions

The PBC actively communicated with the Legislative Affairs Office of the State Council on the key mandate of managing the treasury by revising the *Regulations* on *Implementation of the Budget Law* and secured maximum support, which contributed to progress in the revision

project. It worked with the Ministry of Finance and the State Administration of Taxation to jointly issue documents relevant to the replacement of the business turnover tax with the value-added tax in support of the pilot VAT reform project. The central bank also supported fiscal and taxation system reforms by helping the fiscal and taxation authorities develop a series of institutional measures, including the Reform of Economic Classifications of Expenditure Subjects, the Reform of the Pension Insurance System for Public Institutions, and the Management of Deposits of Funds of the Fiscal Authority and Budgeted Institutions. On December 1, 2016, it cooperated with the Ministry of Finance and the Ministry of Public Security on the nationwide introduction of a system that allows cross-province payment of fines, providing more efficient public services to the general public. In addition, the PBC completed the Treasury Business Development Plan for the 13th Five-Year Plan period, which sets out the key objectives, principles and priorities for treasury management during the 13th Five-Year Plan period.

Enhancement of the treasury IT system produced remarkable results

The PBC accelerated development of the second generation of the Treasury Information Processing System (TIPS), and the project was approved and the software

development was completed. The central bank launched the Fiscal-Customs-Treasury-Bank Connecting System in Hebei and in 11 other provinces, and began a pilot program that allows inquiries and payments at the terminals installed in banks in Beijing and other cities. Joint tests of the second phase of the system, which enables payments at bank terminals, were completed. The PBC completed parameter maintenance, replacement and system upgrading of the Fiscal-Tax-Treasury-Bank Connecting System, which contributed to smooth progress in the introduction of the Phase III Golden Tax Project and progress in the VAT reform. It expanded coverage of the TIPS, which in 2016 processed RMB10.94 trillion in 377 million nationwide receipt operations, up 16 percent and 27 percent respectively. The pilot operation of the Treasury Centralized Booking System (TCBS) in the agent treasury in Shaanxi and Ningxia was successfully completed.

Strengthening of treasury supervision

The PBC launched the nationwide Treasury Supervision System (ex post supervision) in phases, bringing its e-supervision capacity to a new level. Building on the special treasury audits and the on-site inspections during the past three years, the PBC completed on-site inspections of treasury booking management and special reviews of central budget revenue operations in sub-treasuries and in treasuries within the respective jurisdictions of the PBC branches, which contributed to strengthened accounting and internal controls as well as improved accuracy of operations. The PBC addressed delays in the processing of customs tax funds at some banks by strengthening communication and coordinating with the Customs and other agencies, and by intensifying supervision and inspections of the agent treasury business at the banks, which led to penalties for any breaches by financial institutions.

Significant improvements in treasury bonds management

Following the market-oriented principles of being "fair, just and open", the PBC worked with the Ministry of Finance and other government agencies to revise the documents regulating the quota for issuing savings bonds, and the comprehensive rankings of underwriting syndicate members, which ensured implementation of the quota system and daily management, contributing to smooth bond issuance. The PBC reformed savings bond management, including renaming the "certificate T-bond" to "savings bond" (certificate type), developing unified rules for naming and numbering savings bonds, and standardizing their documentation and printing requirements. The central bank worked with the Ministry of Finance to encourage underwriters to use agreed re-deposits upon maturity of certificate bonds, so as to protect the legitimate interests of investors. The PBC investigated violations of the relevant regulations to safeguard the credibility of treasury bonds. It continued to promote online sales of savings bonds (electronic), and 23 banks began online sales of savings bonds.

Remarkable treasury support for decisionmaking

The PBC improved the Daily Report on Treasury Receipts, Disbursements and Deposits by adding more features, including registration of local debt issuances, re-lending and debt services and conducting local treasury cash management operations, balance registration, and inquiries. Monitoring and analysis of significant changes in receipts, disbursement and deposit funds were strengthened to improve the monthly report and analysis system and the quarterly analyses. Cross-regional research groups and economic monitoring teams were set up to enhance regular economic monitoring. Analyses on sectors, regions, and trade that are closely related to treasury receipts, disbursements, and deposit operations were strengthened to improve the unique role of treasury analyses. Research on widely discussed issues, including mobilizing the stock of fiscal funds, VAT reform, local public debt swaps and PPP, were conducted on an ongoing basis to enhance the effectiveness of treasury-related research.

Steady improvements in treasury cash management

The PBC improved treasury cash management and communication mechanisms by working with the Ministry of Finance to develop rules on the bidding and tendering for term deposits by commercial banks. Risk monitoring was strengthened to ensure sufficient collateral for treasury deposits at commercial banks. The pilot project on local treasury cash management made steady progress with expanded coverage that included Tianjin and another 14 provinces (autonomous regions and municipalities). The PBC also completed the development, testing, training, and pilot operations of the treasury cash management sub-system as part of the Treasury Management Information System (TMIS) in an effort to make cash management operations at local treasuries more efficient and related statistical reports more timely and accurate.

Variety	lssue No.	Issue Time	Term (Year)	Coupon Rate (%)	Total Actual Issuance Amount (RMB100 million)
					(*****
Certificate T-bonds	1st	Mar. 10-19	3	4.00	149.83
Certificate T-bonds	1st	Mar. 10-19	5	4.42	149.81
Certificate T-bonds	2nd	May 10-19	3	3.90	149.25
Certificate T-bonds	2nd	May 10-19	5	4.32	149.54
Certificate T-bonds	3rd	Sep. 10-19	3	3.80	146.61
Certificate T-bonds	3rd	Sep. 10-19	5	4.17	147.11
Certificate T-bonds	4th	Nov. 10-19	3	3.80	149.14
Certificate T-bonds	4th	Nov. 10-19	5	4.17	149.45
Electronic T-bonds	1st	Apr. 10-19	3	4.00	200.00
Electronic T-bonds	2nd	Apr. 10-19	5	4.42	200.00
Electronic T-bonds	3rd	Jun. 10-19	3	3.80	200.00
Electronic T-bonds	4th	Jun. 10-19	5	4.22	200.00
Electronic T-bonds	5th	Jul. 10-19	3	3.80	191.89
Electronic T-bonds	6th	Jul. 10-19	5	4.17	200.00
Electronic T-bonds	7th	Aug. 10-19	3	3.80	200.00
Electronic T-bonds	8th	Aug. 10-19	5	4.17	200.00
Electronic T-bonds	9th	Oct. 10-19	3	3.80	200.00
Electronic T-bonds	10th	Oct. 10-19	5	4.17	200.00

Table 1 Issuances of Treasury Savings Bonds, 2016

Table 2 Term Deposits by Central Treasury Cash Management at Commercial Banks, 2016 (New Deposits)

				-	Expected Interest
Date (Value date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	Income (RMB10 000)
Jan. 19	1st, 2016	800	3.02	9M	180 703.56
May 27	2nd, 2016	400	3.20	ЗM	31 912.33
Jun. 16	3rd, 2016	800	2.75	ЗM	56 657.53
Jul. 21	4th, 2016	500	2.75	ЗM	34 280.82
Aug. 23	5th, 2016	500	2.80	ЗM	34 904.11
Sep. 14	6th, 2016	600	2.75	ЗM	41 136.99
Sep. 20	7th, 2016	600	2.55	ЗM	38 145.20
Oct. 24	8th, 2016	800	2.95	ЗM	58 838.36
Total		5 000			476 578.90

				Act	ual Interest Income
Date (Due date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	(RMB10 000)
Feb. 23	10th, 2015	500	3.20	ЗM	39 890.41
Mar. 24	9th, 2015	600	3.40	6M	101 720.55
Aug. 26	2nd, 2016	400	3.20	ЗM	31 912.33
Sep. 18	3rd, 2016	800	2.75	ЗM	56 657.53
Oct. 18	1st, 2016	800	3.02	9M	180 703.56
Oct. 20	4th, 2016	500	2.75	ЗM	34 280.82
Nov. 22	5th, 2016	500	2.80	ЗM	34 904.11
Dec. 14	6th, 2016	600	2.75	ЗM	41 136.99
Dec. 20	7th, 2016	600	2.55	3M	38 145.20
Total		5 300			559 351.50

Table 3 Term Deposits by Central Treasury Cash Management at Commercial Banks, 2016 (Matured)

Table 4 Local Treasury Cash Management in Pilot Provinces (Cities), 2016

Region	New Deposits	Amount (RMB100 million)	Deposits Matured	Amount (RMB100 million)	Balance at Year End (RMB100 million)	Actual Interest Income (RMB10 000)
Beijing	14	2 850	13	2 750	800	200 355.07
Tianjin	1	100	0	0	100	0
Hebei	4	880	3	800	80	29 843.17
Jilin	3	248.8	2	198.8	50	7 108.86
Heilongjiang	0	0	2	200	0	21 833.77
Shanghai	9	3 500	9	3 150	1 500	312 367.73
Jiangsu	1	80	0	0	80	0
Zhejiang	1	150	0	0	150	0
Anhui	1	100	0	0	100	0
Fujian	2	110	0	0	110	0
Jiangxi	4	600	0	0	600	0
Hubei	0	0	1	170	0	15 496.09
Guangdong	3	560	4	550	560	101 163.39
Sichuan	2	300	0	0	300	0
Shaanxi	4	350	3	250	100	9 353.10
Gansu	2	200	0	0	200	0
Qinghai	1	50	0	0	50	0
Hainan	4	150	0	0	150	0
Shenzhen	20	6 900	21	6 800	1 680	532 298.58
Xiamen	2	90	0	0	90	0
Total	78	17 218.8	58	14 868.8	6 700	1 229 819.76

FINANCIAL TECHNOLOGY

Accelerate IT transformation and enhanced technical support

The PBC initiated studies on and implementation of the new PBC architecture and proposed ideas, methodologies, and solutions for its upgrading and optimization. Starting with the development of critical business systems, based on the safe and steady operation of the centralized architecture, the PBC conducted research on the feasibility of deployment of key technologies based on cloud-computing and distributed architecture. The PBC compiled the Guideline on Cloud Development of the Provincial-Level Data Center Infrastructure of the People's Bank of China, launched the project to build a cloud-based infrastructure for provincial-level data centers, established a cloud technology platform supporting the program, promoted provincial-level data centers to enhance virtualization of mainframe computers and initiated storage virtualization. As a result, the business continuity of cloud-based infrastructure was further strengthened.

The PBC upgraded the core switches and network monitoring systems of provinciallevel data centers, enhanced the security safeguards of the small-and-micro enterprise platform of the financial MAN; formulated the equipment list for the network and the servers of the PBC branches; and organized relevant operators to create a checklist for information systems. The PBC began to build a standards system for IT resource operation, maintenance and management, to formulate standards for the operation and maintenance of the server room infrastructure of provinciallevel data centers, to develop PBC business network specifications, and to promote the development of standards regarding the management of IT infrastructure and network bandwidth.

The PBC upgraded the treasury, account, statistics, and general office systems and improved public platforms such as the data distribution platform. The archive management sub-system and the information analysis sub-system of the Accounting Data Centralized System (ACS) were applied throughout the country, and its proposed general sub-system was implemented in 2 681 local financial institutions. The PBC upgraded the Treasury Information Processing System (TIPS) to support the initiative to replace the business tax with the VAT, the realization of paper-free customs clearances, and promotion of the third phase of the National Network System for Computer-based Verifications of Specialized VAT Invoice. The PBC actively engaged in the development of the internal network of national e-government and the program of sharing poverty alleviation information.

Enhanced security management of information systems and strengthened IT safeguards

The PBC examined the systems in its head office, its affiliated institutions, and relevant institutions for operational risks and it overhauled the systems, and formulated tiered and classified measures to guarantee business continuity, which supported the idea of applying new architecture to improve business continuity. It conducted evaluations of IT emergency response capabilities and revised the emergency response plan to gradually strengthen response capacity; It built a model of the situation awareness platform of the banking sector to monitor data on external risks and indicators of institutional security safeguard capacities; and it sorted out and protected the key infrastructure of banking information and conducted risk evaluations.

Regulation of payment technical innovations and applications and strengthening of technical innovations and research

The PBC organized an examination of risks related to payment technologies. It organized commercial banks and payment institutions to examine payment risks concerning business systems and the acceptance environment to identify and overhaul sensitive payment information and fund security risks, and to conduct management and controls based on a list approach; and it launched a special campaign to examine the risks of leakage of bankcard information and urged the relevant institutions to establish a payment risk prevention and control system, beginning with containing information leaks from the source and preventing on/off-line risk transmissions.

The PBC enhanced security management of payment POI. It applied big data analysis and password identification technology and studied the establishment of a multi-tiered mechanism for POI management featuring ex-ante identification for network access, data verifications during transactions, and post-event risk prevention.

The PBC enhanced development of payment standards. It released *China Financial Mobile Payment: Technical Specifications for Payment Tokenization,* which served as the standard for technological solutions to mobile payments and promoted the secure, controllable, and regulated development of the industry; and it published the *Technical Specifications for the Online Payment Message Structure and Elements (V1.0)* which further standardized managements of API message of bank card and online payment business systems.

The PBC studied and guided the application of block chain technology in the financial sector. It analyzed the technological framework, trading procedures and operating mechanism of block chains; studied the sophistication of block chains and their suitability for business applications; and analyzed the potential technological risks and prevention measures for block chains and guided the technology to more effectively serve financial business.

Deepened financial standardization reform and innovation, and promotion of implementation of financial standardization strategy

The PBC improved the list-based management mechanism for financial standards development and revision. It strengthened the fundamental role of national financial standards and the role of financial industrial standards in serving and managing the industry; It released 12 financial industrial standards, including the China Financial Mobile Payment: Technical Specifications of Payment Tokenization, and promoted implementation of 9 national financial standards for public welfare, including the Basic Requirements for Services of Banking Outlets. The PBC developed a road-map for implementation of financial standards, specifying the implementation strategy and measures; promoted and guided institutions, such as the National Internet Finance Association to establish a working mechanism for group standardization; and improved the working mechanism for international standardization activities and explored to play a leading role in the development of international standards. The Specifications on Banking Product Descriptions, offered as a proposal by China's financial sector, was adopted by ISO/TC68 as an international standard (a New Working Item). The ISO 20022 foreign

exchange messages developed by the China Foreign Exchange Trading System were approved by the ISO. The PBC also deepened its engagement in the Global Legal Entity Identifier System.

Establishment of an industry-wide communications platform and promotion of financial technological advances in a coordinated manner

The PBC improved the mechanism for managing technological achievements, optimized the organizational structure and procedures, and held the 2015 Banking Technological Development Award event based on the principles of transparency, fairness, and justice; promoted national programs and completed an acceptance review of 7 projects under the national IT program of "Demonstration of the Cloud System and Application of Disaster Recovery Services for Small-and-Medium Financial Institutions", which established a foundation for addressing the bottlenecks constraining disaster recovery development of smalland-medium financial institutions. The PBC implemented the national strategy for big data development and organized financial institutions to successfully apply for the program of the "Financial Big Data Analysis and Service Platform", a critical program of the National Development and Reform Commission to promote big data development.

CREDIT INFORMATION AND THE SOCIAL CREDIT SYSTEM

Top-level design of a credit information system and a plan for credit information market development

To plan for the development of a credit information market and to address the critical issues and difficulties in credit information management, in 2016 the PBC organized comprehensive planning and research on China's credit information market. Based on the prerequisite of preventing financial risks and protecting the rights of the subjects of credit information and based on the principle of ensuring the independence of third-party credit information businesses, the fairness of credit information activities and the protection of personal information privacy, the research aimed at proposing a development path for the credit information market by focusing on areas such as building a credit information system covering the entire society, optimizing the market structure, improving the regulatory mechanism, and enhancing service quality.

In terms of the development of the individual credit information business, the PBC guided people of all walks of life to reach a consensus on the following five items: first, it is important to correctly understand the role of credit information; second, the individual credit information institutions should not be too dispersed and the market threshold should be set high and strict; third, development of the credit information sector should be politically correct; fourth, credit information institutions should not abuse the clients' information; and fifth, credit information products should mainly be used in credit businesses.

Improving the credit information mechanism and promoting the regulated development of the credit information industry

The PBC released the Notice on Enhancing Credit Information Compliance Management, which required market players, including institutions connected to the financial credit information database, e.g., commercial banks, financing guarantee companies and micro-loan companies, commercial credit information institutions, and credit rating agencies and other market players, to improve the credit information system and to regulate the development of the credit information market by focusing on areas such as building internal controls and an accountability mechanism, regulating the reporting and use of credit information, and enhancing protection of the subjects of credit information. The PBC released the Method for Management and Registration of Commercial Credit Information Institutions, which unified the registration requirements and review criteria for commercial credit information institutions, so as to establish a dynamic registration management system allowing entry and exit and to build a unified and complete registration management system.

Enhancing compliance management and protecting the rights of the subjects of credit information

First, enhancing administration of institutions connected to the database for financial credit information. The PBC organized a nationwide on-site examination of connected institutions and investigated and punished violations of credit information rules, activities related to the leakage of particularly individual credit information, so as to protect the legitimate rights and interests of subjects of credit information. Second, soundly promoted access to individual credit information market. The PBC studied on issues related to individual credit information business and institutions administration, with a focus on areas such as individual information protection, so as to strengthen the foundation for regulation of the individual credit information business. Third, strengthening registration. The PBC launched a targeted campaign to examine the authenticity of the registration material of commercial credit information institutions and credit rating agencies, and regulated those that had problems. Any institutions that had not been involved in any credit information business for six months and institutions that had been involved in illegal activities were asked to close down, which helped to improve the market. By the end of the year, there existed a total of 136 registered commercial credit information institutions, 99 registered credit rating agencies with legal person status and 72 branches throughout the country. Fourth, strengthening daily regulation over commercial credit information institutions. The PBC organized on-site and off-site inspections of commercial credit information institutions and launched comprehensive statistical analyses to promote compliant operations by commercial credit information institutions. Fifth, enhancing mid-event and post-event supervision. The PBC continued to examine and release the default rate of credit rating agencies and further regulated their operations so as to improve the quality of the rating results. The PBC explored the build of a sustainable credit rating mechanism for micro-finance companies and financing guarantee companies. In 2016, there existed a total of 25 150 credit rating cases, among which 6 169 were for the bond market and 18 981 for the credit market (1 845 were related to the aforementioned institutions). Sixth, improving the rights protection mechanism. The PBC actively promoted protection of the rights and interests of subjects of credit information and monitored progress in the resolution of cases in which such rights had been violated. In 2016, there were 209 complaints and all of them were resolved.

Promoting the development of a social credit system and improving the social credit environment

First, improving the inter-ministerial meeting mechanism for the development of a social credit system. The PBC, as one of the two leading institutions in the mechanism, played a constructive role and cooperated with the National Development and Reform Commission and other authorities to promote the development of China's social credit system and to improve the social credit environment. Second, optimizing rules related to the development of the social credit system. As approved by the Central Leading Group for Comprehensively Deepening the Reforms, the State Council released the Guiding Opinions on Establishing a Joint Mechanism to Encourage Integrity to Punish Illegal Behavior, and to Promote the Development of Social Integrity, the Guiding Opinions on Strengthening Government Integrity, and the Guiding Opinions on Enhancing the Development of an Individual Integrity System. The National Development and Reform Commission and the PBC jointly released the Guiding Opinions on Strengthening Integrity in the E-Commerce Sector and promoted their implementation. Third, promoting disclosure, sharing and application of government information. The PBC continued to promote the establishment of a national credit information sharing platform and the Credit China Website. Fourth, the PBC built a joint mechanism to encourage integrity and to punish illegal behavior and it signed multiple memoranda for this initiative. Fifth, promoting the development of local credit systems. In 2016, the PBC approved the work plans of 32 cities (and districts) to build model cities for social credit system development, and made assessments and supervision of the construction of social credit system in these cities.

Promoting medium, small-and-micro enterprises and the rural credit system to build "two connections" and to improve credit information services to those enterprises and to farmers

Incorporated into the *Planning Outline* for the Development of a Social Credit System (2014-2020), the construction of medium, small-and-micro enterprises (MSMEs) and the rural credit system is a special project conducive to promoting the financing development of MSMEs and farmers. In 2016, the PBC cooperated with local governments to establish a connection between the construction of a MSME credit system and the campaign to encourage mass entrepreneurship and innovation, and to build a connection between the development of a rural credit system and targeted poverty alleviation. The PBC enhanced supervision of databases on the credit information of MSMEs and farmers, guided and promoted development of a system for the collection and utilization of credit information on MSMEs and farmers as well as credit ratings of MSMEs and farmers, and improved the joint credit incentive mechanism and the credit risk sharing and compensation mechanism. Progress was achieved in the development of a credit system for MSMEs and rural areas, which played a constructive role in providing easier, cheaper, and faster access to financing for MSMEs and farmers. This helped to address the problem of acute credit risks, to promote employment and to enhance the economic vitality of the rural areas. By the end of the year, the PBC had added and improved information on approximately 2.6114 million small-and-medium enterprises that had not applied for any bank loans. A cumulative number of 471.6 thousands small-andmedium enterprises acquired bank loans with a total outstanding balance of RMB10.5 trillion, representing year-on-year growth of 5.3 percent. Credit records were established for 172 million rural households throughout the country, and among them 121 million were graded as creditworthy households. Nearly 92.48 million rural households acquired bank loans, with an outstanding balance of RMB2.7 trillion, a year-on-year increase of 9.3 percent.

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

The steady advance of the fourth mutual evaluation by the Financial Action Task Force (FATF)

The PBC conducted a self-evaluation, fully reviewed the status quo of anti-money laundering (AML) in China, and identified the gap with international practices by studying the FATF's criteria and methodology for evaluating and drawing on the experience of international organizations and the advanced economies. Based on the results of a self-evaluation, the PBC established objectives for work intended to address major weaknesses, improved work plans for mutual evaluation, and identified the roadmap, timeline, and division of labor among the various departments. An in-depth assessment of national money laundering and terrorist financing risks was conducted. The Framework for Assessing China's Money Laundering and Terrorist Financing Risks (2016) was completed, and an onsite assessment of AML and combating the financing of terrorism (CFT) was concluded under the Financial Sector Assessment Program (FSAP).

Continued improvement of the AML institution

The PBC amended and published the Administrative Measures on Large-value and Suspicious Transaction Reporting by Financial Institution in an effort to encourage financial institutions to define on their own the criteria for transaction monitoring and to submit suspicious transaction reports based on reasonable grounds of suspicion. This increased the effectiveness of suspicious transaction reporting and represented a step forward in closing the gap with international standards. Research was conducted on developing AML regulations in places where precious metals are traded and in the real estate sector, and for introducing AML measures for specific fields to address possible risks in new areas and industries, such as Internet finance. The Administrative Measures for the Rating of Anti-Money Laundering at Incorporated Financial Institutions (Provisional) were formulated and the Benchmark for Assessing Administrative Penalties for Anti-Money Laundering (Provisional) was released to further detail and improve the procedures and criteria for rating and to regulate AML administrative penalties. The PBC also spearheaded revision of the Detailed Rules for Conducting Anti-Money Laundering Investigation.

Further improvement and strengthening of AML regulation

First, the PBC improved risk management and the risk assessment indicator system for incorporated financial institutions while actively conducting risk assessments. Second, the rating of AMLs at financial institutions continued, with the headquarters and branches of 32 459 financial institutions subject to ratings. Third, AML inspection and penalties for non-compliance were intensified. While conducting on-site inspections of large national life insurance firms, the PBC enhanced on-site inspections of key industries and institutions. During the year, AML enforcement inspection covered 1 901 financial institutions and payment institutions, with 249 institutions and 483 individuals penalized for non-compliance, which reflected an obvious regulatory tightening. Fourth, the PBC stepped up oversight of institutions with AML obligations by flexibly adopting a mix of measures, including questioning, regulatory talks, risk assessments, and follow-up visits, in a bid to timely identify non-compliance and potential risks and to encourage these institutions to increase the effectiveness of their AML efforts. Fifth, in the wake of overseas incidents involving AML compliance, the PBC strengthened issue-specific guidance for the headquarters of financial institutions and urged Chinese banks to conduct self-inspections and self-corrections.

Notable results from AML investigation and fund monitoring

Fundamental work continued on analyses of money laundering typologies, risk warnings, cross-provincial co-investigations of key cases, and reviews of leads. In the meantime, breakthroughs were made in key area: the pilot of the CFT monitoring models saw preliminary results, a special campaign to crack down on the transfer of illegal funds through off-shore firms and underground banks witnessed new achievements, the effort to open investigations and to file law suits against money laundering achieved positive results, the guiding opinions on monitoring and early warnings on fund transactions from illegal fund-raising were drafted and published, and remarkable results were achieved in assisting in investigating telecommunications fraud, illegal fund-raising, illegal pyramid schemes, cyber gambling, and other economic crimes that affected a large number of people.

During the year, the PBC discovered and received 8 504 leads on key suspicious transactions, and after screening, AML investigations were opened on 732 of them. 1 965 leads were referred to the investigative departments. The PBC assisted the investigation departments in opening AML investigations on 1 652 cases and closed 307 cases, which enabled AML to play an important role in safeguarding national security and social and financial stability.

To fully strengthen AML fund monitoring, the PBC began developing the second generation of AML monitoring and analysis, with a focus on enhancing fund monitoring in key sectors and improving the quality of data reporting. During the year, reporting agencies submitted 5.44 million suspicious transaction reports to the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC), sliding over 50 percent year on year, and the quality of key suspicious transaction reports improved considerably as the accuracy and validity of the data both increased.

New progress on AML International cooperation

The PBC was deeply engaged in reviewing and making decisions about major issues concerning the FATF, such as the shift in the FATF's strategy and mandate, revisions, and recommendations and the assessment methodology. It also played a role in the internal governance reform and the typology research of the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG) and the Asia/ Pacific Group on Money Laundering (APG). Bilateral AML regulatory cooperation made substantial progress, as the PBC signed a memorandum of understanding (MOU) with the Central Bank of the Russian Federation on AML and CFT regulation and held practical consultations with the US and the Hong Kong Special Administrative Region on the signing of an MOU on regulatory cooperation. The PBC continued to play a leading role in Sino-US dialogues on ALM and CFT under the China-US Strategic and Economic Dialogue, and the seventh China-US AML and CFT seminar was successfully held. The CAMLMAC signed a MOU on exchanges of financial intelligence and cooperation with financial intelligence units in 7 countries, including Australia.

PROTECTION OF THE RIGHTS AND INTERESTS OF FINANCIAL CONSUMERS

Continuous improvement of the rights' protection system for financial consumers

To implement the relevant requirements of the General Office of the State Council on Strengthening the Protection of the Rights and Interests of Financial Consumers, the PBC accelerated the establishment and improvement of the rules and the regulatory system on the protection of the rights and interests of financial consumers. It developed and enforced the Implementation Measures of the People's Bank of China on Protection of the Rights and Interests of Financial Consumers; participated in the formulation of the Enforcement Regulations on Protection of Consumer Rights and Interests; formulated the Handbook on Inspection and Protection of Financial Consumers' Rights and Interests to guide branches to conduct supervision and inspections; promoted inclusion of the items of supervision for the protection of the rights of financial consumers into the PBC Random Sampling List and established the Market Players List of Financial Consumers Rights' Protection within the PBC System and the List of Law Enforcement Inspectors.

Remarkable results in financial consumer education

The PBC scientifically planned a program of financial knowledge popularization and

publicity and education activities. In 2016, the activities of "Financial Consumers' Rights and Interests Day" focused on rights, responsibilities and risks; and the activities of "Financial Knowledge Popularization Month" focused on six special groups, namely, small and micro enterprises, farmers, urban lowincome groups, poor people, the disabled and the elderly. Through a variety of forms of financial knowledge popularization, The PBC worked to enhance the financial literacy of consumers, and to guide them in correctly using financial knowledge and in enhancing their sense of risks and responsibilities.

The PBC developed a consumer financial literacy questionnaire, to dynamically understand consumer financial knowledge and their needs, and it conducted research and analysis of changes in financial consumer behaviors, measured the effectiveness of financial consumer education, and promoted financial knowledge education for financial consumers.

The PBC actively promoted the integration of financial knowledge into the national education system, and in accordance with the development of the economic and financial situations and the needs of financial consumers, it further optimized and perfected the structure and content of the book *on Financial Knowledge Popularization*.

The orderly carrying out of work related to financial inclusion

The PBC participated in the drafting of the *Plan to Develop Financial Inclusion (2016-2020)* sponsored by the State Council; actively promoted locals to introduce development plans for guidance on financial inclusion, and provided guidance for locals to develop financial inclusion; it conducted a study on the indicators of finance inclusion to form the *China Financial Inclusion Indicator System* and organized some branches to carry out trial filling by which construction of the system has subsequently achieved its phased objectives; and it also carried out research on overseas remittances.

The PBC actively carried out the work of the G20 Global Partnership for Financial Inclusion (GPFI). In 2016, it studied and formulated five key issues for "Digital Financial Inclusion", "A Financial Database and Indicator System for Financial Inclusion", "SME Financing", "Bridging the Last Kilometer of Financial Services", "Strengthening the Protection and Education of Financial Consumers"; and unveiled the G20 High-Level Principles for Digital Financial Inclusion; updated the G20 Financial Inclusion Indicators; and developed the G20 Action Plan on the SME Financing Implementation Framework.

Steadily carrying out supervision, inspections, and assessment work

The PBC carried out supervision and inspections of cross-regional financial consumer rights' protection. In addition, while examining the actual situation in the branches and the hot and difficult issues in financial markets, it encouraged the branches to independently determine the inspection items and to enhance the relevance and effectiveness of supervision and inspection work.

The PBC encouraged the branches to carry out assessments of agencies involved in rights' protection for financial consumers, further broadened pilot work on assessments of rights' protection for financial consumers, and carried out research and explorations into a system of assessments of the environment for the protection of financial consumers that could be replicable and sustainable.

The PBC explored the establishment of a system to publicize typical cases and disclose regulatory information; carried out the tasks of collecting and compiling the annual cases in 2016, and published quarterly Analytical Report of the *People's Bank on the situation on the Acceptance and Processing of Typical cases of Financial Consumer Disputes.*

Increased standardisation of the acceptance and processing of complaints by financial consumers

"12363 — the hotline on complaints and advice on rights' protection of financial consumers" is operating smoothly, and the information and dispute-complaint channels are easily accessible to general financial consumers. The Information Management System on the Protection of the Rights of Financial Consumers has realized initially digitalization and standardization to transfer financial consumer complaints to the relevant branches and offices. Application of the Third-Party Solution Mechanism for Non-lawsuit Financial Disputes was broadened. Construction of the 4 provinciallevel pilot dispute mediation organizations in Shanghai, Guangdong, Shaanxi and Heilongjiang, as well as the prefecturelevel pilot dispute mediation organizations in cities in Shandong and Guangdong, have achieved certain results. In the pilot areas, the PBC branches, cooperating with local judicial organs, have established a "docking" mechanism for litigation and mediation of financial consumer disputes, to enhance the legal validity and social credibility of non-lawsuit third-party mediation and settlement of financial consumer disputes. In addition, the pilot work on the Application of the Standards for the Classification of Financial Consumer Complaints achieved its desired goal.

Column

The G20 Promoted the Development of Financial Inclusion

Financial inclusion is the delivery of adequate and efficient financial services at affordable costs to all segments of society and to all groups that needs financial services, based on the requirement of equal opportunities and the principle of business sustainability. It places an emphasis on providing more financial services to benefit the general public and, in particular, the disadvantaged. Under China's 2016 G20 presidency, promoting financial inclusion was listed as one of the major topics on the G20 Finance Track and the Global Partnership for Financial Inclusion (GPFI) was tasked with carrying out related work. As the Chair of the GPFI, the PBC actively engaged in G20 work on promoting financial inclusion, contributing three core results, including the G20 High-Level Principles for Digital Financial Inclusion (the Principles), the updated version of the G20 Financial Inclusion Indicators (the Indicators), and the Implementation Framework of the G20 Action Plan on SME Financing, and five other results on financial inclusion, which were submitted

to and endorsed by the G20 Hangzhou Summit. In the communique of the Hangzhou Summit, the G20 leaders noted, "We endorse the G20 High-level Principles for Digital Financial Inclusion, the updated version of the G20 Financial Inclusion Indicators, and the Implementation Framework of the G20 Action Plan on SME Financing. We encourage countries to consider these principles when devising their broader financial inclusion plans, particularly in the area of digital financial inclusion, and to take concrete actions to accelerate progress on financial access for all people."

The unveiling of G20 High-level Principles for Digital Financial Inclusion

There is a growing global consensus on leveraging digital technology to promote financial inclusion as the application of digital technology to financial inclusion will support information-sharing, lower transaction costs and risks, and effectively increase the access to financial services. In 2016, China proposed the establishment high-level principles for digital financial inclusion, which represented a critical step in the global top-level design of financial inclusion, as it was the first time for the international community to develop highlevel guidelines for digital financial inclusion. The *Principles* were built on the PBC's full communication with all parties, supported by international experiences and concepts as well as Chinese concepts, experiences, lessons, and other key work in promoting financial inclusion.

There are 8 principles with 66 recommendations for action: first, promoting a digital approach to financial inclusion; second, balancing innovation and risk to achieve digital financial inclusion; third, providing an enabling and proportional legal and regulatory framework for digital financial inclusion; fourth, expanding the infrastructural ecosystem for digital financial services; fifth, establishing responsible digital financial practices to protect consumers; sixth, strengthening digital and financial literacy and awareness; seventh, facilitating customer identification for digital financial services; and eighth, tracking progress in digital financial inclusion.

Updating of the G20 Financial Inclusion Indicators

The financial inclusion indicators provide a yardstick for gauging the development of financial inclusion, which can provide a scientific basis for policy making and innovation in financial inclusion. In 2016, the updated version of the *Indicators* added new indicators covering three dimensions to measure digital financial inclusion, including the availability, use, and quality of financial services. The updated version fully reflects the development of financial inclusion from both the supply and demand sides, as it covers 35 indicators in 19 categories, including account penetration, savings penetration, credit loan penetration, penetration of digital payments (online payments, mobile payments and debit card payments), ATMs and bank density, the high frequency of account utilization, and the level of consumer protection.

Development of the Implementation Framework of the G20 Action Plan on SME Financing

To promote SME financing and replicate successful country-specific experiences, the G20 designed a self-evaluation framework to encourage all countries to conduct diagnostic assessments based on international good practices with the core objective of enhancing the SME's financing capacity by creating a favorable regulatory environment and promoting competition. The G20 placed priority on the following three reform measures: improving the credit reporting framework for SMEs; encouraging banks and nonbank financial institutions to accept movable property as collateral loans to small and medium-sized enterprises, and reforming the SME bankruptcy system.

INTERNATIONAL FINANCIAL COOPERATION AND RULE-MAKING

Deep engagement in and playing a leading role in global economic governance through the G20 and other platforms

Taking the opportunity of China's 2016 G20 presidency, the PBC participated in global economic governance and macroeconomic policy coordination in a programmatic and constructive manner. The PBC was actively engaged in various meetings under the G20 finance track, guided discussions on major global macro economic policies, reached important summit results on topics such as macroeconomic policy coordination, improving the international financial architecture, promoting financial sector reforms, and developing financial inclusion and green finance, which combined China's philosophy and perspectives with global macroeconomic and financial governance; introduced China's economic and financial conditions in a frank manner and responded to concerns expressed by other parties, which helped achieve good communications and rally the support of the international community for deepening the reforms in China; faithfully carried out the responsibilities related to the G20 presidency, further streamlined the work mechanism under the G20 finance track, prudently fulfilled logistical and other supportive work for the G20 meetings, and responded to emergencies in a timely and efficient manner, which fully demonstrated China's leadership.

The PBC was deeply engaged in economic and financial cooperation with the other BRIC countries, continuously improved the BRICS Contingent Reserve Arrangement (CRA), and provided support for the New Development Bank (NDB) to issue RMB-denominated bonds on the onshore market. The PBC also actively participated in discussions on topics such as establishing a BRICS rating agency and a macroeconomic research institute, with a view to promoting programmatic efficiency of BRICS cooperation.

Active participation in coordination of international financial policies and promotion of reforms of the international monetary system

China's quota share in the International Monetary Fund (IMF) increased. On January 26, 2016, the IMF announced entry into force the 2010 Board Reform Amendment (also known as the 2010 Quota and Government Reform), which meant that a quota increase under the 14th General Review of Quotas would enter into effect, ranking China's quota and voting power in third place. Based on the reform, China's quota share jumped from 3.996 percent to 6.394 percent, and its voting power increased from 3.81 percent to 6.07 percent, moving China from the sixth largest member country in the IMF to the third largest member country, after only the U.S. and Japan. On October 1, 2016, the RMB's inclusion in the special drawing rights (SDR) currency basket became effective. This represents recognition of the global status of the RMB by the international community and a milestone in the internationalization of the RMB, thus it is conducive to making China a powerful country with an influential currency, strengthening China's comprehensive economic power, and increasing China's voice and influence in global economic governance and financial rules-making.

The PBC explored an expansion of the use of the SDR, and promoted reform of the international monetary system. Begining in April, the PBC released foreign exchange data denominated both in the USD and the SDR, which was well received, and the SDR role as a unit of accounting was strengthened. SDR-denominated bonds were introduced. The World Bank and Standard Chartered Bank issued SDR-denominated bonds of RMB600 million in August and October, respectively, on China's interbank bond market, which was of significant importance for the broader use of the SDR, for the internationalization of the RMB and the financial opening-up of China, and it was also conducive to increasing the stability and resilience of the international monetary system.

Continuous participation in the international financial reform agenda and promotion of international rule-making and standard-setting

The PBC actively participated in various activities and important decision-making by

the Financial Stability Board (FSB), the Bank for International Settlements (BIS), the Basel Committee on Banking Supervision (BCBS), and other international standard-setting institutions. The PBC actively participated in the FSB plenary and steering committee meetings, the BIS governors' meetings, the BCBS meetings, and the meetings of the Committee on the Global Financial System (CGFS) to discuss the way forward in terms of global financial reforms and international standard-setting. The PBC also urged several international organizations to jointly complete the report entitled *Elements* of Effective Macroprudential Policies: Lessons from International Experiences, which established a solid foundation for the establishment of effective macroprudential policy frameworks. In-depth participation in the FSB's formulation of disclosure recommendations on climate-related financial risks and a new round of revisions of the BCBS risk measurement contributed to solving the too-big-to-fail issue, establishing an effective financial risk disposal mechanism, and implementing reform measures concerning the OTC derivatives market. While complying with international financial reform policies in a comprehensive, consistent, and timely manner, the PBC made sure that the various reform initiatives and related international standards remain in line with China's national interests.

Enhancing regional financial cooperation and promoting regional financial market development to safeguard regional financial stability

In 2016, the PBC promoted the Chiang

Mai Initiative Multilateralization (CMIM) to strengthen coordination with the IMF when China co-chaired the ASEAN+3 financial cooperation mechanism with Laos, with a view to safeguarding regional financial stability. It strengthened regional economic and financial monitoring under the mechanism of the Executives' Meeting of East Asian and Pacific Central Banks (EMEAP), promoted the development of the Asian bond market, and organized the 41st Meeting of the Working Group on Banking Supervision. Efforts were made to actively engage in financial cooperation under the South East Asian Central Banks (SEACEN), the ASEAN+3 Macroeconomic Research Office (AMRO), the Asia Pacific Economic Cooperation (APEC), the Eurasian Conference, the Lancang-Mekong Cooperation and other mechanisms.

Adopting a practical approach to major policy dialogues to deepen bilateral financial coordination and cooperation

The China-US Strategic and Economic Dialogue (S&ED) yielded substantial results. In June, the eighth S&ED produced 63 achievements, covering macroeconomic and monetary policies, financial cooperation, cooperation in international financial institutions, and other strategic issues, of which 18 achievements were related to the PBC and most have already been carried out. In September when President Xi Jinping met with President Obama on the sidelines of the G20 Hangzhou Summit, the two leaders had an in-depth exchange of views on Sino-US relations and important international and regional issues of common concern. The PBC participated in consultations on economic results, and reached important consensus on macroeconomic policies, global economic governance, and bilateral investment agreements.

Sino-European financial cooperation made steady progress. In February, the China and Euro Troika meeting mechanism, which had been suspended for six years was relaunched. In June, the PBC participated in Sino-German inter-governmental consultations, with a view to promoting bilateral economic and financial exchanges. In November, the fourth Sino-French High-Level Economic and financial Dialogue was successfully held, and the PBC also took part in the eighth Sino-UK Economic and Financial Dialogue and took the lead in coordinating and promoting implementation of the dialogue results, including the planning of financial service strategies and two-way liberalization of the bond markets.

Bilateral financial cooperation with neighboring countries continued to deepen. The PBC reached a consensus with the Central Bank of Russia on cooperation regarding local currency settlement, deepening cooperation among commercial banks, conducting cooperation in payment systems and bankcard, and exploring cooperation in insurance and financial markets. The PBC steadily improved Sino-Kazakhstan financial cooperation by increasing local currency settlement, promoting bilateral trade and investment facilitation, and encouraging Chinese commercial banks to issue local-currencydenominated loans. A positive overture was adopted in reply to the request of Bank Negara Indonesia to set up a representative office in China. The results of the Sino-Singapore Joint Committee were implemented. The PBC also made efforts to improve Sino-Philippine financial cooperation in light of diplomatic needs, to cooperate with the Ministry of Foreign Affairs by receiving the state visit of the president of the Philippines, and to accelerate implementation of the relevant outcomes. On the occasion of high-level mutual visits, the PBC actively promoted financial cooperation with Central and Eastern Europe, and further clarified the principles on the provision of financing to industrial cooperative projects.

Strengthened cooperation with multilateral development institutions to develop financial platforms to support the "going global" strategy

The legal procedure for joining the European Bank for Reconstruction and

Development (EBRD) were completed and explorations were carried out to establish new cooperative models with the Inter-American Development Bank. Therefore, China's participation and representation in the global multilateral development system was strengthened. The PBC continued to strengthen cooperation with the African Development Bank, the Western African Development Bank, the Caribbean Development Bank and other development agencies, and actively participated in their governance reforms and policy-making. Meanwhile, the PBC supported outward investment and financing arrangements made by the China-LAC Cooperation Fund, the China-Africa Fund for Industrial Cooperation, and so forth during state leaders' visits to African and Latin American countries and in line with the Belt and Road Initiative and other diplomatic strategies, which helped inject new vitality to the "going global" of financial and non-financial Chinese enterprises.

Column

The Chinese RMB is Officially Included in the SDR

On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) decided to include the RMB in the currency basket of the Special Drawing Rights (SDR). As it was the first time to include a new currency into the SDR basket, in order to allow sufficient lead time for SDR users to adjust the accounting and trading, the effective date for the new SDR basket was set for October 1, 2016.

In order to ensure a smooth inclusion of the RMB into the SDR basket, the PBC and the SAFE collaborated closely with relevant departments to promote the preparatory work in an orderly manner.

First, China continued to deepen the

opening-up of the capital market, and to allow overseas institutions, foreign central banks in particular, to enter China's financial market to allocate capital and to conduct risk hedging operations. In February 2016, the PBC further opened the interbank foreign exchange market to overseas investors, with no quota limits. In April, the PBC released the Procedures for Foreign Central Banks and Similar Institutions to Enter China's Interbank Bond Market and the Procedures for Foreign Central Banks and Similar Institutions to Enter China's Interbank Foreign Exchange Market, providing specific guidance for the foreign central banks and similar institutions to enter China's market so as to further facilitate the entry of overseas investors in China's financial market.

Second, China resolved the technical issues determining the SDR value. After communications, the RMB USD equivalent is calculated on the basis of the mid-market rates, as provided to the IMF by the Bank of England, based on spot exchange rates observed at about noon London time. In order to allow RMB onshore trading to include London time, China extended the service time of the interbank foreign exchange market trading system. Begining from January 4, 2016, operation of the trading system of the interbank foreign exchange market was extended by 7 hours, and the time that the market management systems with respect to the central parity rate and the floating range of the RMB exchange rates, as well as application of the quotation of marketmakers, were extended accordingly.

Third, China continued to improve data transparency. After China became a subscriber to the Special Data Dissemination Standard (SDDS) of the IMF, the PBC and the SAFE officially joined the data survey conducted by the International Banking Statistics (IBS) and the Coordinated Portfolio Investment Survey (CPIS), thus narrowing the gap in data transparency with the major reserve currency countries.

Since the beginning of 2016, while continuing to deepen the reform and openingup, the PBC improved communications with the market on monetary policies, MPA management, capital flows, and other issues concerning international investors, releasing clear and explicit policy signals, and effectively anchoring market expectations. At the same time, the PBC actively communicated with international institutions on technical details and laws and regulations regarding RMB asset allocations so as to further strengthen international investors' confidence in China's financial market. On bilateral and multilateral occasions, China strengthened policy communications and coordination with other economies. Taking advantage of hosting the G20, China enhanced publicity, and strengthened all parties' confidence in the Chinese economy and the reform and opening up, creating a positive international environment for the official inclusion of the RMB in the SDR.

On October 1, 2016, the IMF announced the launch of the new SDR valuation basket including the Chinese RMB, along with the USD, the Euro, the Japanese yen, and the British pound. The weights of each currency were 41.73 percent, 30.93 percent, 10.92 percent, 8.33 percent, and 8.09 percent, respectively. The respective currency amounts of the five currencies were 0.58252, 0.38671, 1.0174, 11.900 and 0.085946. At the same time, the exchange rate and interest rate of the SDR were adjusted. The RMB exchange

rate was represented in the SDR exchange rate basket and the RMB was represented in the SDR interest rate basket by the 3-month benchmark yield for Chinese treasury bonds.

Since the official inclusion of the RMB in the SDR, international society has responded positively, and the attraction of RMB assets in global markets has risen markedly. The IMF, BIS, World Bank, and other international organizations increased their RMB assets in their asset allocations according to the SDR basket, which was approximately the equivalent of more than USD10 billion dollar equivalent.

At the same time, RMB assets held by the

central banks were recognized by the IMF as foreign exchange reserves. Accordingly, the IMF modified accordingly the data on the currency composition of the official foreign exchange reserves (COFER), and RMB identified foreign exchange reserves were included.

The inclusion of the RMB into the SDR basket represented a milestone in China's integration into the global financial system and a new start of China's financial reform and opening-up. China will take this opportunity to further deepen financial reforms, to expand the financial opening-up, and to contribute to global growth, financial stability and improved global economic governance.

Column

Selected Results under the Finance Track of the G20 Hangzhou Summit

The G20 Leaders' Summit was successfully held in Hangzhou, September 4-5 2016. By working with the G20 countries, China achieved fruitful results in terms of promoting strong, sustainable and balanced global growth, improving the international financial architecture, advancing financial sector reform, and developing financial inclusion and green finance.

1. Strong, sustainable, and balanced growth

First, strengthening macro assessment and policy coordination. Given the anemic global economic recovery and the increased downside risks, China and the other G20 countries made a sober and objective assessment of global economic and financial

developments, which, at a critical juncture, boosted market confidence. In the meantime, it called on all parties to reaffirm "we will refrain from competitive devaluations and we will not target our exchange rates for competitive purposes", and for the first time it committed to "consult closely on exchange markets". On macroeconomic policies, China coordinated with the G20 countries in building a consensus on "using all policy tools individually and collectively", including monetary, fiscal, and structural policies, to promote growth through a multi-pronged approach. This represented an important consensus by the G20 on macroeconomic policy coordination, which plays a positive role in strengthening confidence and stabilizing the market.

Second, focusing on enhancing the toplevel design of the structural reforms. China provided inputs to the G20 consensus on nine structural reform priority areas, a number of guiding principles, and an indicator system for identifying policy gaps and monitoring reform progress.

Third, engaging in the drafting of the *Hangzhou Action Plan*. Covering commitments by the G20 to build "strong, sustainable and balanced growth", the plan consists of a set of guidelines to fully implement the communique of the G20 leaders. In addition, the *Hangzhou Accountability Assessment Report* was released to track progress in implementing the policy commitments.

In addition, China also contributed to the G20 consensus on maintaining an open and safe global trade system, increasing highquality investments, and promoting inclusive growth, and it called on all parties to roll out a large number of new policy measures.

2. The international financial architecture

First, after taking over the G20 presidency, China resumed the working group on international financial architecture, based on the G20 Agenda Towards A More Stable and Resilient International Financial Architecture endorsed by the Hangzhou Summit. The agenda summarized suggestions on five work streams, including exploring broader use of the SDR, improving the sovereign debt restructuring mechanism, strengthening the Global Financial Safety Net (GFSN), promoting the IMF guota and governance reform, and improving the monitoring and management of capital flows, which set the course for future efforts to improve the international financial architecture and to reform the international monetary system.

Second, exploring broader use of the SDR. The new SDR basket including the RMB came into force on October 1, 2016. The G20 countries supported further exploration of broader use of the SDR. China began to report data on foreign exchange reserves, balance of payments, and its international investment position in both the USD and the SDR. In addition, on August 31, 2016, the World Bank Group issued SDR bonds on China's interbank market, the first SDR bond issuance in more than 30 years.

Third, strengthening the GFSN. China played an active role in forging a joint effort to continuously improve the GFSN, enhance the effective cooperation between the IMF and regional financing arrangements, and conduct the first joint test run between the Chiang Mai Initiative Multilateralization and the IMF, which is critical in maintaining global and regional financial stability.

Fourth, improving sovereign debt restructuring mechanism. Efforts were made to actively promote the orderly restructuring of the sovereign debt and to encourage the Paris Club to constantly adapt to the changing official financing structure.

Fifth, promoting the IMF quota and the governance reform to ensure that the IMF has adequate resources. The 2010 IMF quota and governance reform entered into effect in January, 2016. On August 29, the Executive Board of the IMF endorsed the plan to maintain access to bilateral borrowing agreements, which is an important result of the Hangzhou Summit as it preserves the capacity of the IMF for crisis responses and maintenance of global financial stability. In the meantime, the G20 reached a consensus on the appropriate timeframe for

completing the 15th General Review of Quotas and increased the shares for the emerging markets and developing countries.

Sixth, improving monitoring and management of capital flows. The G20 broadly supported the proposal to enhance the monitoring and analysis of capital flows given the increased financial market volatility, and to improve management of capital flows and related risks based on country experiences.

3. Financial sector reform

First, building an open and resilient financial system. To this end, the G20 remains committed to timely, full, and consistent implementation of the agreed reforms, including the Basel III and the total-lossabsorbing-capacity standard. In addition, it will continue to closely monitor emerging risks and vulnerabilities in the financial system.

Second, taking stock of basic elements in the macro-prudential policy framework. Macro-prudential policy was extensively discussed and employed in the wake of the global financial crisis. Prompted by the G20, relevant international organizations holistically and systematically took stock of country experiences and lessons from the macroprudential policy, which established a solid foundation for developing an effective macroprudential policy framework and also will provide a useful reference for China's financial regulatory reform.

Third, strengthening the infrastructure of the financial market. The G20 was encouraged to fully implement the *Principles for Financial Market Infrastructures* and to support the work by the Financial Stability Board and other international organizations to improve the resilience, recovery planning, and resolution of central counterparties so as to prevent systemic risks and to ensure a safe and well-functioning financial market.

Fourth, promoting financial inclusion. The G20 High-level Principles for Digital Financial Inclusion, the first of their kind, were developed. The G20 Financial Inclusion Indicators were improved to make them more scientific, and an implementation framework for the G20 action plan was drafted to facilitate SME financing.

4. Green finance

In 2016, for the first time China put green finance on the G20 agenda, and set up the Green Finance Study Group. The Hangzhou Summit endorsed the first G20 Green Finance Synthesis Report, which clarified the definition, objective and scope of green finance as well as the challenges, with recommendations to develop green finance to support global sustainable development.

MAINLAND FINANCIAL COOPERATION WITH THE HONG KONG, MACAO, AND TAIWAN REGIONS

Financial cooperation with Hong Kong and Macao

The PBC steadily promoted the development of RMB business in Hong Kong and Macao. The Bank of China (Hong Kong) was connected to the China International Payment System (CIPS) as a direct participant. Throughout 2016, RMB payments and receipts between Hong Kong and the Mainland reached RMB5.28 trillion, accounting for 53.6 percent of the total cross-border RMB receipts and payments with the Mainland, ranking first among all countries and regions. As of the end of 2016, outstanding RMB deposits in Hong Kong recorded RMB546.71 billion, accounting for 5.2 percent of all deposits of financial institutions in Hong Kong, or 10.3 percent of all foreign currency deposits. The stock of RMB-denominated Certificates of Deposit (CDs) in Hong Kong posted RMB78.35 billion. A cumulative total of RMB758.64 billion of RMB-denominated bonds have been issued in Hong Kong, including RMB445.81 billion issued by overseas institutions, RMB164 billion issued by MOF, and RMB148.83 billion issued by Mainland institutions. RMB receipts and payments between Macao and the Mainland totaled RMB183.11 billion, accounting for 1.9 percent of the total cross-border RMB receipts and payments with the Mainland. At the end of 2016, outstanding RMB deposits in Macao posted RMB36.55 billion. At the Fifth Ministerial Meeting of the Sino-Portuguese Forum in October, Premier Li Keqiang announced support for Macao to became a Macao RMB Clearing Center for Portuguese-speaking countries.

Efforts were made to promote two-way opening-up of the bond market, whereby Hong Kong and Macao institutions can easily access the Mainland's interbank bond market. As of end-2016, 186 Hong Kong and Macao institutions (including the Hong Kong Monetary Authority, Hong Kong and Macao clearing banks, overseas participating banks, overseas insurance companies, qualified foreign institutional investors, and RMB qualified foreign institutional investors) were granted access to the interbank bond market. On December 5, the Shenzhen-Hong Kong Stock Connect program was launched, which, together with the Shanghai-Hong Kong Stock Connect program, facilitated connectivity between Mainland and Hong Kong stock markets, and it will help promote RMB internationalization, and the common prosperity of the Mainland and Hong Kong.

Financial cooperation and innovation

among Guangzhou Province, Hong Kong and Macao was promoted. In July, the Guangdong Free Trade Zone began to provide joint settlements for electronic checks in both Guangdong and Hong Kong, with a view to achieving a cross-border depository of the RMB, the Hong Kong dollar, and USDdenominated electronic checks. During 2016, a total of 113 transactions were handled.

Financial cooperation with the Taiwan region

RMB business in the Taiwan region remained basically stable. RMB receipts and payments across the Taiwan Strait amounted to RMB404.03 billion, accounting for 4.1 percent of the total cross-border RMB receipts and payments, and ranking 4th among all countries (regions) conducting RMB business with Mainland China. By the end of 2016, there were 68 domestic banking units (DBU) and 59 offshore banking units (OBU) in Taiwan that were qualified to conduct RMB business in Taiwan, and the outstanding balance of RMB deposits posted RMB311.214 billion, ranking second among the foreign currency deposits in Taiwan. The outstanding balance of RMB discounts and loans reached RMB21.725 billion. A cumulative total of 12 RMB Formosa bonds was issued, amounting to RMB8.219 billion. A cumulative total of 58 RMB-

denominated funds was issued, amounting to RMB1.76 billion.

High-level Exchanges with the authorities in the Hong Kong, Macao, and Taiwan regions

In 2016, heads of the PBC conducted high-level meetings with senior officials from Hong Kong and Macao, including Mr. Leung Chun Ying, chief executive of the Hong Kong SAR, Mr. Norman Chan, chief executive of the HKMA, Carlson Tong, chairman of the Securities and Futures Commission (SFC), Ashley Ian Alder, executive director of the SFC, Li Xiaojia, Executive Director of Hong Kong Stock Exchange, Leong Vai Tac, member of the Secretariat for the Economy and Finance of the Macao SAR, and Anselmo Teng, executive director of the Macao Monetary Authority, to exchange views on economic and financial developments in Hong Kong and Macao, the connectivity of capital markets, offshore RMB businesses, RMB internationalization, and the Belt and Road Initiative. In December the 21st conference on financial cooperation across the Taiwan Strait was held, at which senior officials engaged in in-depth exchanges on issues such as cross-strait financial cooperation.

HUMAN RESOURCES

Staff composition

As of end-2016, the number of PBC staff reached 127 163, including 18 940 staff working in the China Banknote Printing and Minting Co. Ltd and its subsidiaries.

Among this total, 44 732 staff or 35.18 percent are female; 1 160, or 0.91 percent, hold PhD degrees, 12 931, or 10.17 percent, hold master's degrees, 69 536 or 54.68 percent, hold bachelor's degrees. As for the staff at the PBC Head Office, 175, or 23.43 percent, are PhD degree holders, 418, or 55.96 percent are master's degree holders, and 128, or 17.14 percent, are bachelor's degree holders. In 2016, 3 915 new staff members were recruited from the year's graduates and other entities through public channels, and 4 136 staff members retired.

From the perspective of its organizational structure, among the PBC staff, 747 are in the PBC Head Office (including both staff managed by the Civil Servant Law and staff in PBC affiliated units), 592 are in the Shanghai Office, 2 045 are in the PBC direct affiliates, 6 240 are in branch and operations offices (including operations offices under the branches), 8 742 are in sub-branches in provincial capital cities, 1 410 are in sub-branches in provincial-level municipalities, 43 721 are in sub-branches in prefectural-level cities and 44 009 are in county-level sub-branches.

In terms of the age structure, 19848 are under 30 years old, 11204 are between 31 and 35 years old, 10849 are between 36 and 40 years old, 19384 are between 41 and 45 years old, 29575 are between 46 and 50 years old, 24248 are between 51 and 54 years old, and 12055 are 55 years old or older.

Team-building and the cultivation of talent

In 2016, in order to serve its core mission, the PBC promoted Party construction and performance of its duties, improved management and work performance, reinforced cadre elections and leadership coordination, strengthened team-building and cultivation talent, and provided strong organizational and personnel support to fulfill its responsibilities.

First, Party building was strictly and thoroughly enhanced by the "Studies on the Theoretical and Practical Issues in Party Building". Promoting the "Studies on the Theoretical and Practical Issues in Party Building" throughout the entire system, the PBC organized Party organizations and Party members at all levels to study the important July 1 speeches by General Secretary Xi Jinping. The PBC also enhanced guidance toward Party building in the system, and formulated *the Guidance on Further Strengthening and Improving Party Building* at the Community Level and the Reference Indicators for Quantitative Evaluations of Party Building at the Community Level of the PBC. The key tasks of Party building at the community level, such as focused investigations on relations in Party organizations, and special inspections of regular changes in the terms of office and Party member dues collection, were solidly improved. The PBC representatives to 19th CPC National Congress were earnestly elected.

Second, the promotion and appointment mechanism was improved, and leadership capacity-building was strengthened. The PBC standardized the mechanism for official promotions and appointments as well as for staff administration by releasing and implementing the Measures for Cadre Appointments and Dismissals in the PBC, the List of Classified Management Position Titles in the PBC and the Guidance for Evaluation of the Leadership and Cadres in the PBC Branches. The PBC reinforced comprehensive analyses and assessments of the leadership in each unit so as to promptly adjust and optimize the leadership. In 2016, 71 directorgenerals were elected or appointed, 80 director-generals were moved to parallel positions; and 28 principals and 90 deputies were appointed to departments, bureaus, and other units so as to optimize the leadership structure and enhance capacity-building.

Third, channels of communication were broadened and the abilities and experiences of cadres were enriched. 41 cadres in the Head Office were dispatched to areas with difficult conditions or complicated circumstances or to the front-line for work exchange and 25 new staff members in the Head Office were dispatched to subbranches in prefectural-level cities for internships, which provided them with experiences at the community level. 57 cadres at the director level or below in branches and sub-branches (an increase of 21.3 percent compared to 2015) were exchanged between the East and the Midwest, as well as between bureau-level branches and prefectural-level sub-branches. 35 cadres were selected and seconded to Tibet, Xinjiang, and Qinghai to promote capacity-building in sub-branches in the border areas and the ethnic regions.

Fourth, strict cadre supervision was carried out. The PBC formulated the *Temporary Provisions on the Accountability of the PBC* and *the Documentary Measures for the Selection and Appointment of Cadres*. The PBC firmly implemented reporting regulations for personnel affairs to cover all the reporting units and staff, and it supervised the units at all levels to strictly and honestly check the reporting. In addition, the PBC organized the "one report and two assessments" in all the units of the PBC system, and conducted special inspections for staff selection and recruitment in 7 units.

Fifth, the strategy of "reinvigorating China through human resource development" was further promoted and the cultivation of financial talents was fully fostered. In 2016, the PBC took the lead in introducing highlevel overseas financial talent. 4 candidates for the long-term innovative talent program and 1 candidate for the youth project (pilot) under the "Thousand Talents Plan" were recommended to the Organization Department of the Central Committee of the CPC. 3 experts enjoying special government allowances were recommended to the Ministry of Human Resources and Social Affairs, and 5 candidates for the project supporting outstanding young talent under the "Ten Thousand Talents Plan" were recommended to the Publicity Department of the Central Committee of the CPC. By the end of the year, 6 360 people had obtained senior professional and technical qualifications in the PBC system.

Sixth, the *Regulation on the Education* and *Training of Cadres* was thoroughly implemented, and the effectiveness of personnel education and training was enhanced. Focusing on improvements in the implementation and the mechanism of the *Regulation* and oriented toward the demands and problems, the PBC was strictly managed and implemented a training plan, promoted training innovation, and conducted training of all types and at all levels to enhance the effectiveness of education and training. In 2016, 89 face-to-face training courses involving about 55 000 person-days were held, 18 online training programs for more than 120 000 staff were offered, and 137 new online courses were added.

Seventh, the staff management system was refined, and staff recruitment was enhanced and improved. The PBC formulated and released the Measures on Punishment of PBC Staff and the Notice on Coping with Relevant Wage Issues with respect to Punished Staff in PBC Branches and Affiliated Institutions, which further enforced discipline and strengthened the punishment of staff in branches and affiliated institutions. To ensure fairness, openness, and justice in staff recruitment, the PBC optimized the recruiting registration system, perfected the system whereby the interviewers received certificates for branch staff recruitment, strictly followed the recruitment rules, and reinforced supervision and guidance.

INTERNAL AUDITS

Internal auditing work was steadily carried out

In 2016, PBC internal auditing units completed more than 3 800 auditing programs. First, performance and end-ofterm audits were conducted of the leading cadres, including the heads of some branches and sub-branches, the heads of affiliated enterprises and institutions, and the chief representatives of the PBC overseas offices. These audits placed an emphasis on examining policy-making and the execution of policies in terms of budget management, financial revenue and expenditures, assets and liabilities, capital construction, and procurement management. Second, budget management audits were conducted. The major risks and problems in present budget management were analyzed to help the branches and sub-branches prevent and resolve those risks involved in the use of public funds. Third, audits of administration according to the law were conducted. They mainly focused on the legality, normalization and validity of the basis, standards, procedures and results of administrative enforcement. Fourth, special audits on infrastructure management were conducted. The pool of infrastructure projects which cost more than RMB3 million were examined in the PBC system. Branch offices were organized to conduct audits on organizational management, project approval, survey and design, bidding,

equipment and material procurement, contract management, on-site construction, financial management, and the construction effects of the projects. Fifth, special audits on management of the issuance of ordinary commemorative coins were conducted. Emphasis was placed on the normative and effectiveness of the preparatory phase of commemorative currency exchanges, the implementation phase, and the subsequent stages of the work. Sixth, audits on the management of treasury business were conducted. These audits involved the PBC, agent banks for centralized payments, national revenue agencies, and agencies of the national treasury. Seventh, audits on security and escort management were conducted. Emphasis was given to the supervision on the management of guarding, escort, bullets, security technical prevention. Attention was also paid to key risk events, and the appropriateness and validity of internal control institutions. Eighth, audits were conducted on information technology. Three systems, including the Central Bank's ACS, the computer virus protection system, and the network verification system of information on citizens' identity were audited. Ninth, audits were conducted on enterprises and institutions directly affiliated with The PBC Head Office, which were also organized to conduct self-inspections of the "Eight Common Problems". These mainly focused on financial management,

salary management, business operation, and the governance structure. These audits encouraged the audited units to improve their risk management, internal controls, and organizational governance.

Constant improvement in the fundemental work of internal audits

Centering on the requirements to serve the central bank's core work, and to promote standardized management and administration according to the law, the PBC promoted the development of the scope and depth of auditing work. First of all, the application of audit findings was strengthened. Audit rectification was promoted by strengthening auditing analyses, reporting problems, and conducting subsequent audits. Face-toface communications were carried out with the business departments so as to expand the scope and depth of the application of audit findings. Second, institutional construction was enhanced. Several auditing projects were issued. The Guide to PBC Infrastructure Audits was completed, and the Operation Manual on the Internal Control Auditing of the PBC was compiled and published, which further improved the institutional system for internal audits. Third, basic evaluation work on internal controls was carried out. The PBC Head Office and institutions directly under

the Head Office were organized to conduct assessment of institutional mechanism building at unit level and evaluations of internal controls of six economic activities, including budget management, financial revenue and expenditures, and government procurement. Weak links were discovered and correction measures were implemented to further perfect the PBC internal control system. Fourth, risk assessments of the internal auditing departments continued to be promoted. Based on the list of risk events of the provincial branches and the subbranches in provincial-level municipalities, risk event lists for the sub-branches in prefectural-level cities and in county-level sub-branches were compiled. The Risk Assessment Management System of the PBC Internal Audit Department was utilized to conduct risk assessments, and basic data on the risk assessments of every institution and area were conducted, which established a solid foundation for systemic risk assessments. Fifth, construction of internal audit information was advanced. The comprehensive management system of the internal auditing business was upgraded, and auditing standard entries at all levels were promoted and guided. The auxiliary audit system was upgraded and the Types of supplementary audits were expanded, providing a platform for technical and data analysis for carring out related audits of the business system.

FINANCIAL INVESTIGATIONS AND STATISTICS

Acceleration of the construction of a comprehensive financial statistical system

As an important part of the fundamental financial infrastructure, in 2016 a comprehensive financial statistical system was established in light of the overall requirements of macroprudential supervision, preventing systemic financial risks, and implementing financial stability safeguards by drawing on extensive lessons from the international experiences of reforms of financial supervisory systems, aiming at providing a construction which supports macro-prudential policy decision-making and macro-prudential policy evaluations, and providing effective informational support for fulfilling the financial stability tasks of central bank. Based on the Classification Standards of Financial Enterprises, the PBC set up a coordinated mechanism to promote implementation and assessment of classification standards. A series of research programs was carried out of the comprehensive financial statistical systems in major foreign countries, postcrisis changes in financial statistics, and the harmonization of core indicators in the comprehensive financial statistical systems and the current statistical systems in the securities and insurance industries. In March 2016, the PBC, CBRC, CSRC, and CIRC jointly launched comprehensive financial statistics pilot programs in Tianjin, Guangdong, Zhejiang, and Anhui. By the end of July 2016, the first phase of data collection and summary of the pilot data was completed, covering 1 875 legal financial entities with total assets of RMB36.24 trillion. By conducting the pilot programs, the PBC, CBRC, CSRC, and CIRC for the first time successfully jointly collected data from all legal financial entities under their jurisdictions and compiled consolidated balance sheets for the banking, securities, and insurances industries in the pilot program areas.

Making full use of the advantages of statistics, investigations, and analyses

The PBC promoted the following innovations in the statistics system. It reinforced the statistics for off-balance-sheet asset management of financial institutions. Modifications and improvements were made to the asset and liability statistical rules for financial institutions and the special statistical rules for wealth management and fund trust plans, with a more detailed category for the counter-parties. The local and foreign currency profit statistical system was refined to adapt to the taxation reform and to the financial reform and to be development in the rural areas. The PBC carried out surveys on credit coverage so as to improve the flow-of-funds statistics. This contributed to the timeliness, accuracy, and completeness of statistics on the pilot program on collateral loans on operational rights of rural contracted land and farmers' residential property rights. Special statistical rules were established for collateral loans on operational rights and property rights, respectively. In

addition, the PBC stipulated the statistical rules for targeted poverty-alleviation loans based on extensive research, and it launched an intensive final session to collect related data in a timely manner. Progress was made on structural financial statistics, and several special statistics and monitoring tasks were successfully completed, including the destination structure of medium and long term loans, agricultural loans, loans to large/ medium/small/micro enterprises, real estate loans, affordable housing project loans, loans to government financing platforms, and the credit of wealth management and trust institutions. The sample statistical pilot program on comprehensive standardized savings and loans was expanded to all provinces. Continued efforts were with respect to statistic and monitoring of capital flows, corporate bonds, aggregate asset of the financial industry, and financial industry conditions. The PBC kept a close eye on the financial market and ensured the smooth operation of the inter-market bond statistical system. A survey was conducted on the major financial indicators of financial institutions and the payable value-added tax was added to the indicators. The PBC also initiated evaluations of county-level legal financial entities by collecting, checking, and compiling data on 2 064 county-level legal financial entities; the proactiveness of the provincial-level statistical evaluations was enhanced so as to provide reliable evidence for the application of incentive policies.

The PBC improved several investigation mechanisms and added a temporary survey on specific topics so as to provide a rapid response to new issues. An urban area deposit questionnaire (2016 version) was widely introduced with modern information technology tools to improve the ways in which to collect response. In December, an electronic data collection system was successfully launched in 20 provinces and municipalities. Monitoring was conducted of major national economic industries, such as steel, coal, vehicles, nonferrous metals, textiles, and clothing. The PBC closely followed price movements and trends in the real economy, and, introduced a new monitoring framework for the real estate market. Three special surveys on real estate, covering 27 cities, were conducted so as to discover new features in the real estate market in terms of real estate stocks, real estate loans, and real estate risks.

The PBC statistical department also called on PBC branches to participate in several research topics focusing on financial reform and development and macroeconomic policies, including the multiple objectives of monetary policy, the macrofinancial analysis framework, fiscal policy, challenges faced by the monetary policy and countermeasures during the new phase, the macro-prudential statistical monitoring system, and the equilibrium exchange rate. An on-site survey was unveiled to conduct on in-depth study on prominent issues, such as the special construction funds, financial risks, employment, and loan destinations. The conclusions of the reports provided information on international comparisons, accounting methods, and value-added trends in the financial industry, value-added accounting methods in the service industry, and a 2017 baseline and price forecast for the price reform of medical services. Other research topics included the global economic performance and the monetary policies in the major economies, the balance of payments, foreign exchange payments and receipts, capital flows, liquidity, commodity prices, the tax alleviation policy, aggregate demand management in the supplyside structural reform, the contribution of poverty alleviation to aggregate demand, the main influential factors when the PPI changed from negative to positive and future trends. These provided valuable information for central bank policy decisions.

Promoting international cooperation and exchanges of financial statistics

The PBC attended the regional and global conferences of the G20 Data Gaps Initiatives (DGI) and the symposia of the Irving Fisher Committee on Central Bank Statistics (IFC), and conducted relevant research. The PBC also engaged in the reporting of Financial Stability Indicators (FSIs), and continuously improved the coverage, frequency, and indicators categories of FSI institutions. The number of reporting parties was expanded to over 1 000 banks of different sizes. The PBC joined the data demand team to

design a statistical template for systemically important global banks (G-SIBs), and promoted application of the template in China. Domestic large banks were encouraged to launch internal difference analyses and system renovations so as to issue trial reports and result evaluations for the G-SIBs data reporting. In October, the PBC participated in the Shadow Banking Expert Group (SBEG) of the Financial Stability Board (FSB) to conduct data research and issue reports. Due to the deepening financial reform and the openingup, the International Monetary Fund (IMF) decided to include the RMB in the Special Drawing Rights (SDR) currency basket. In April the PBC conducted the relevant advanced statistical work and released foreign exchange international reserves data and date for the foreign exchange liquidity template in both USD and SDR. In terms of statistical cooperation, the PBC wrapped up the Asian Development Bank's survey on the county-level statistical capability of financial institutions, and established a standardized IT template tailored to statistics in the rural areas and small and medium-sized financial institutions, which was a significant move to enhance the capability of county-level data management by financial institutions.

FINANCIAL RESEARCH

The drafting of the financial plan in the 13th Five-year Plan was nearly completed, and an in-depth study of institutional reform of financial regulation made substantial progress

The PBC drafted the financial section of China's 13th Five-year Plan for Economic and Social Development and the section on the development of a modern financial system. Led by the PBC, ten ministries worked together and almost completed the drafting of the Modern Financial System Plan in the 13th Five-year Plan. The PBC also engaged in the study and development of major programs, projects, and policies for the 13th Five-year Plan.

An in-depth study was carried out on the theory, policy, and international experiences in progress in major areas of the institutional reform of financial regulation, including properly handling the relationship between financial regulation and development, strengthening the coordinated management of the financial infrastructures, and adopting supervisory regulations and so on.

Vigorous promotion of regional financial reform and assessments, with increasing financial support for economic and social development in Xinjiang, Tibet, and the Tibetan-inhabited areas of four provinces, and the old revolutionary base areas

The PBC promoted implementation of

financial reform policies and institutional innovations in the Shanghai, Guangdong, Tianjin, and Fujian pilot free trade zones, and assisted the relevant ministries in drafting and publishing an overall program for seven newly-approved free trade zones. The pilot regional financial reform was assessed and duplicated in other areas, supported by a stocktaking of the experiences and achievements of the regional financial reform, identification of problems and weaknesses, and elimination of unsuitable regulations. The PBC also cooperated with the relevant departments to promote the pilot on innovation and reform at local levels.

The PBC implemented the policy measures of the CPC Central Committee and the State Council on providing financial support for the development of Xinjiang, Tibet, and the Tibetan-inhabited areas in four provinces, and hosted the Silk Road Financial Forum (Ministerial) during the 5th China-Eurasia Expo in a move to promote development in the core area along the Xinjiang Silk Road Economic Belt. It also played a leading role in jointly issuing, with the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission, the Opinions on Providing Financial Support for the Economic and Social Development of Tibet. Policy measures on providing financial services for the development of Xinjiang and Tibet were implemented, and active efforts were made to support the soviet areas in southern Jiangxi and to provide partner assistance in Xin'gan county.

Research was conducted on the pilot reform of agro-financing and financial inclusion, with efforts to explore a pilot reform to establish provincial unions for rural credit cooperatives

The PBC conducted a thorough study of the innovation of regional agro-financing and financial inclusion by setting up a pilot reform zone for financial inclusion innovations in Lankao County of Henan Province, the first of its kind in China, and by studying the convergence of agrofinancial legislation and current policies. It also studied the G20 High-Level Principles for Digital Financial Inclusion and forged research cooperation with institutions such as the International Finance Corporation (IFC). Efforts were made to fully track and study the experiences as well as the problems in agro-financial reform and the development of financial inclusion, to explore the pilot reform of setting up provincial unions for rural credit unions, and to support internal credit cooperation at farmers' cooperatives as well as the regulated development of micro lenders.

Vigorous promotion of green finance, with substantial growth of China's international influence

The PBC played a leading role in drafting and publishing the *Guiding Opinions on Building a Green Financial System*, which was a move to promote the concept, approach, and products in developing green finance. As the co-chair of the G20 Green Finance Study Group, it spearheaded the effort to draft the *G20 Green Finance Synthesis Report*, which reflected the global consensus on developing green finance. Efforts were made to launch local green finance pilot programs, promote the issuance of green bonds by banks and enterprises, establish the world's first green bond rating methodology in China, issue the world's first green bond index, and develop the world's first methodology for an environmental stress test in the banking sector.

Efforts to advance the development of high-end think-tanks bore fruit

The PBC actively promoted its work on applying for a pilot to develop national highend think tanks. The think-tank website, China Financial Forum, was continuously improved, the Wechat platform attracted wide attention, the innovative think-tank academic activities were stepped up, and the China Financial Forum basically grew into a regular platform that produces a series of research results, and the mechanism for communicating the results was continuously improved, with an ever-growing policy and social influence.

Think-tank activities became increasingly active and influential. In 2016, a number of large events were hosted by the PBC, including the PBC-FRBNY Joint Symposium, the 21st Seminar on Cross-Strait Financial Cooperation, the International Green Finance Forum, the Qiantang Summit, the Summit on Innovation-Driven Development of Financial Inclusion (Zhejiang), the Forum on Regional Financial Reform, and the Annual Meeting of the Financial Accounting Society of China, which contributed to the growing influence of the China Financial Forum.

Macroeconomic and financial analyses were earnestly conducted, with a focus on key and topical issues in economics and finance

The PBC issued macroeconomic forecast reports on a regular basis to effectively guide market expectations, strengthened policy research and the effects of monitoring the supply-side structural reform by drafting macroeconomic policy assessment reports, and it also a drafted a white paper and an annual edition of cutting-edge macrofinancial theoretical studies by ramping up its efforts to track the dynamics in cuttingedge macroeconomic and financial theories and ideas. Efforts were also made to further improve price monitoring and analysis and to draft the quarterly Report on Price Monitoring and Analysis, which helped the Monetary Policy Committee make informed decisions at its regular meetings.

The PBC closely studied key and topical issues in economics and finance. First, by focusing on monetary policy, in-depth research was conducted on the interest-rate adjustment and transmission mechanism, the RMB exchange-rate formation regime reform, and international monetary policy coordination. Second, thematic studies were carried out on the leverage ratio and financial risks, including the level and structure of China's leverage ratio, the financial supplyside structural reform, the dynamics of the real estate market, local government debts, innovations in government resource allocations, increases in the share of the middle-income group, and the dynamics of going global and comparative advantages. Third, the PBC promoted studies on reforming the fiscal and tax regimes by focusing on changes in the tax burdens caused by the replacement of the business tax with the value-added tax in the financial sector, institutional designs, and implications for financial markets, financial stability, and the real economy. It also tracked efforts to draw a line between central and local government functions and their expenditures, as well as trends in the reform of managing the target for outstanding fiscal deposits. Fourth, researches was also conducted on new institutional arrangements for the financial opening up, global liquidity, RMB internationalization, developments in international trade, investment rules, and trends in industrial transfers, and China's response strategies. Fifth, the PBC studied holistic and long-term issues in developing Internet finance in China, as it stepped up explorations of Internet-enabled financial services, such as third-party payment and Internets insurance.

Column

Green Finance Entered the Fast Track of Development

The development of green finance is a pivotal component of the endeavor to promote an ecological civilization, a green economy and the supply-side structural reform. Through innovations and institutional arrangements, products such as green credit, bonds, stock indices, and others were fully leveraged. Financial tools such as green development funds, insurance, carbon finance, and corresponding policies were introduced to guide and encourage more private capital into the green industries, so as to contain polluting investments. In 2016, remarkable progress was made in facilitating a green finance system in China.

Issuance of *Guidelines on Building the Green Finance System*

To fully implement the central government's call for promoting ecological civilization and building a green finance system in China, in August 2016 the PBC and seven other ministries jointly issued the *Guidelines on Building Green Finance*. These *Guidelines* put in place the policy framework for green finance development in China.

First, *the Guidelines* clarify the definition of green finance. Green finance is defined as economic activities that support improvements to the environment improvement, taking into account climate change and utilizing resources efficiently and economically. This means facilitating investments and funding for business operations and it requires corresponding risk management in the areas of environmental protection, energy savings, clean energy, green transportation, and green architecture. Second, *the Guidelines* proposes concrete incentive measures to promote green finance. As for certain green projects with sound environmental and social benefits, but with low return rates and a lack of attraction for private capital, they proposes a reduction of the financing costs through incentive measures such as central bank lending, macro-prudential evaluations, fiscal discounts, professional guarantees and a credit enhancement mechanism. The establishment of a national green development fund has also been proposed to reduce the associated financing cost.

Third, *the Guidelines* underscores the vital role of securities market in underpining green investment. They requires that the defining criteria for green bonds should be unified and the relevant business guidelines be improved. IPOs and the re-financing of qualified green enterprises should be proactively supported, and the development of a green bond index, green stock index, and related products should also be strongly supported. They requires the gradually establishment and improvement of a mandatory environment-related information disclosure system for the listed companies and bonds-issuing companies.

Fourth, the Guidelines proposes the development of green insurance and a trading market for environmental equity. The formulation of laws and administrative regulations on mandatory insurance for environmental pollution are further promoted. The pilot program of mandatory environmental insurance has been actively carried out, laying a solid foundation for dissemination of the program dissemination

throughout the country. The development of different kinds of carbon finance products is supported. The establishment of an environment right-based trading market for emission rights, and a quantity of energysavings and water rights is promoted. Different kinds of environment rights financing tools, based on carbon emission rights, emission rights and a quantity of energy-savings, are being developed.

Fifth, *the Guidelines* put forward the establishment of a national green development fund. In view of the features of the green projects, such as the great uncertainties, high risks, and the little attraction for private capital investments, they leverages policy guidance by establishing a national green development fund that invests in green industries and hence mobilizes investments by private funds.

Sixth, the Guidelines provide support for local governments to develop green finance. Places where conditions permit are encouraged to mobilize more private capital to invest in green industries by providing a green guarantee mechanism and establishing a green development fund.

Seventh, the Guidelines clarify concrete areas for international cooperation in green finance. They continues to promote a global consensus on developing green finance under the G20 framework, disseminates voluntary principles related to credit and investments, promote a bi-directional opening of the securities market and enhance the green features of China's overseas investments.

Green finance has witnessed rapid development

In 2016, especially since the issuance of the Guidelines on Building Green Finance,

green finance in China has developed in a remarkably accelerated manner. The domestic banking industry has witnessed steady development of a green credit market, with constant increases in the green credit balance. Innovations have continued in green bond products, with the successive introduction of products such as green finance bonds, enterprise bonds, project financing bills, asset-backed bonds, covered bonds and perpetual bonds. In 2016, China issued discounted green bonds with a value of RMB200 trillion in the market, making China the largest green bond market in the world. In addition, domestic financial institutions and enterprises have successfully issued several green bonds in overseas markets, and the BRICS Bank is the first international organization to issue green bonds in China's domestic panda bond market. The four domestic rating companies have worked out rating methodologies for green bonds, with the numbers of institutions capable of providing third-party recognition of green bonds continuously increasing. Four green bond indexes have been issued, with the ICBC becoming the first to introduce an environmental stress test method for the banking industry throughout the world. Localities such as Guangdong, Qinghai, Inner Mongolia, Anhui, Xiamen, Dalian, Qingdao and Zhenjiang have formulated guidelines and proposals for promoting green finance development. Some areas such as Inner Mongolia, Chongqing and Guangdong have also established green development funds and environmental protection funds. The number of members of the Green Finance Committee of the China Finance Society has increased to more than 160. The financial assets held by the members amount to 67% of the total financial assets.

The international impact of China in green finance has increased

In 2016, based on China's initiative, the G20 established a research group on green finance which was co-chaired by the PBC and the Bank of England. With promotion by the research group, green finance has become a heated topic in the financial sector. A global consensus has been reached on developing green finance based on the announcement of G20 summit held in Hangzhou. The announcement clearly proposes that green investment and finance should be expanded globally and the challenges facing the development of green finance should be addressed in seven respects.

Under the promotion of the G20 green finance initiative and encouragement from China's issuance of the *Guidelines on Building Green Finance*, many countries and regions, including the EU, Indonesia, Argentina, and

Singapore, began to set up working groups and studied and formulated their own policy frameworks to promote the development of green finance. Several nations have issued green bonds for the first time and have begun to establish their own green bond market. Presided over by the International Finance Company and with China as the core funding member, the number of member nations in the Sustainable Banking Network guickly increased from 19 in 2015 to 31 by the end of 2016. The PBC and the EIB co-established a research group and began to explore the unification of green bond standards between China and Europe in order to promote crossborder flows of green capital. China and England promoted the issuance of green bonds in England by Chinese institutions based on bilateral cooperation. China and the US carried out bilateral cooperation in the area of green finance and established a Sino-US green fund.

PUBLIC COMMUNICATIONS AND EDUCATION

The PBC reinforced information disclosures and policy explanations to facilitate communications with the public

The PBC utilized a wide variety of channels to increase information disclosures and policy explanations to respond to public concerns and to guide public opinion. In February 2016, during the G20 Finance Ministers and Central Bank Governors meeting in Shanghai, Governor Zhou Xiaochuan, at the press conference held by the PBC responded to the salient issues. On the sidelines of the annual sessions of the National People's Congress and the Chinese People's Political Consultative Conference, Governor Zhou Xiaochuan and other deputy governors attended a press conference on financial reform and development to respond to prominent questions on issues such as monetary policy, housing credit policy, foreign exchange reserve, internet finance, and cross-border capital flows. At the G20 Hangzhou Summit, Deputy Governor Yigang attended a briefing meeting to introduce China's opinions and stance on the G20 strong, sustainable, equilibrium and inclusive growth, and its monetary financial system reform. Other deputy governors also seized every chance to explain polices, to respond concerns, and to guide public expectation in suitable occasions. Improvements were implemented with respect to the news release system, with regular news

conferences to interpret data on financial statistics. The PBC also elaborated on related policies at the State Council news briefings and news conferences.

The PBC actively publicized achievements in terms of financial services and financial reform for the benefit of the public

The PBC widely disseminated information on financial services and reform achievements closely related to the daily life of the public in the field of payments and settlements, anticounterfeit currency, credit collections, antimoney laundering, and Internet finance to help the public enjoy the achievements of financial services and reforms. In addition, the PBC continued to launch diversified outreach literacy programs on financial consumer protection and financial knowledge in rural areas, colleges, state organs, and communities. Activities were well planned on Day March 15, Financial Consumer Rights and during Financial Literacy Month. The PBC worked to include financial literacy into the national education system and amended the Financial Literacy Book. Outreach on regular credit collections was carried out, such as Credit Record Day, and Credit Collection Knowledge in State Organs, Communities, Rural Areas, Enterprises, and Campuses. Incomplete statistics revealed that nearly 60 000 credit collection outreaches were held nationwide, covering 159 000 financial

outlets and 380 credit information agencies and rating agencies. The PBC also actively promoted credit and integrity literacy at 2 867 colleges, held credit outreaches programs on campus reaching nearly 10 million students, and by the end of 2016, 96 credit collection pamphlets had been compiled for college, high schools and primary-school students. Against the backdrop of the increasing crossborder RMB business, the PBC organized outreach programs, such as Anti-money Laundering Month, to enhance the capability of the public, both at home and aboard, to identify counterfeit RMB banknotes. Financial institutions were mobilized to participate in National Internet Security Week. Over 20 million Financial Internet Security pamphlets were amended and issued to the public to publicize financial security knowledge. Other outreach programs included information protection and payment security literacy to help the public upgrade their capacity to avoid payment risks and to provide self-protection. On the tenth anniversary of the Anti-Money Laundering Law of the People's Republic of China, the PBC launched a large-scale media outreach program to demonstrate China's achievements during the decade of constructing its anti-money laundering system and to display China's international image as a responsible big country with a safe and stable financial system.

The PBC promoted open administration to enhance central bank transparency

Via its website and the PBC Weibo, the PBC released information with increased information and frequency, facilitating interactions with the public. In 2016, the PBC Weibo released over 465 items of information in words, pictures, and videos on the governors activities, liquidity management, financial services, and financial policies and data, attracting 5.35 million fans and transmitting central bank policy intentions in a timely and accurate manner to guide market expectations.

Selected Economic Indicators

(Year-end Balances)

				F	RMB100 million
	2012	2013	2014	2015	2016
Gross Domestic Product (GDP)	540 367	595 244	643 974	689 052	744 127
Industrial Value Added	208 906	222 338	233 856	236 506	247 860
Fixed Asset Investments	374 695	446 294	512 021	562 000	606 466
Retail Sales of Consumer Goods	210 307	242 843	271 896	300 931	332 316
Urban Households	179 318	202 462	226 368	258 999	285 814
Rural Households	27 849	31 918	36 027	41 932	46 503
Exports & Imports (USD100 million)	38 671	41 590	43 015	39 530	36 856
Exports	20 487	22 090	23 423	22 735	20 982
Imports	18 184	19 500	19 592	16 796	15 874
Balance	2 303	2 590	3 831	5 939	5 108
Foreign Direct Investments (USD100 million)	1 117	1 176	1 196	1 263	1 260
Foreign Exchange Reserves (USD100 million)	33 116	38 213	38 430	33 304	30 105
Consumer Price Index (previous year=100)	102.6	102.6	102.0	101.4	102.0
Government Revenue	117 254	129 210	140 370	152 269	159 552
Government Expenditures	125 953	140 212	151 786	175 878	187 841
Fiscal Balance	8 000	12 000	13 500	16 200	21 800
Per Capita Urban Household Disposable Income (RMB)	24 564.7	26 955	28 844	31 195	33 616
Per Capita Rural Household Disposable Income (RMB)	7 916.6	8 896	10 489	11 422	12 363
Number of Employed Persons in Urban Areas (million)	371.0	382.4	393.1	404.1	414.3
Registered Urban Unemployment Rate (%)	4.1	4.1	4.1	4.1	4.0
Total Population (million)	1 354.0	1 360.7	1 367.8	1 374.6	1 382.7

Notes: 1. Source: National Bureau of Statistics.

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

3. Beginning from 2014, rural household income data are disposable income.

STATISTICAL ANNEX



Selected Economic Indicators

(Growth Rates)

				Perc	entage change
	2012	2013	2014	2015	2016
Gross Domestic Product (GDP)	7.9	7.8	7.3	6.9	6.7
Industrial Value Added	8.1	7.7	7.0	6.0	6.0
Fixed Asset Investments	20.3	19.3	15.3	9.8	7.9
Retail Sales of Consumer Goods	14.3	13.1	12.0	10.7	10.4
Urban Households	14.3	12.9	11.8	10.5	10.4
Rural Households	14.5	14.6	12.9	11.8	10.9
Exports & Imports	6.2	7.5	3.4	-8.1	-6.8
Exports	7.9	7.8	6.0	-2.9	-7.7
Imports	4.3	7.2	0.5	-14.3	-5.5
Balance					
Foreign Direct Investments	-3.7	5.3	1.7	5.6	-0.2
Foreign Exchange Reserves	4.1	15.4	0.6	-13.3	-9.6
Consumer Price Index	2.6	2.6	2.0	1.4	2.0
Government Revenue	12.9	10.2	8.6	5.8	4.5
Government Expenditures	15.3	11.3	8.3	13.2	6.4
Per Capita Urban Household Disposable Income (after adjusting for inflation)	9.6	7.0	6.8	6.6	5.6
Per Capita Rural Household Disposable	010		0.0	0.0	010
Income (after adjusting for inflation)	10.7	9.3	9.2	7.5	6.2
Number of Employed Persons in Urban					
Areas	3.3	3.1	2.8	2.8	2.5
Natural Population Growth (‰)	5.0	4.9	5.2	5.0	5.9

Note: Same as the notes for the previous table.

Aggregate Financing to the Real Economy

Aggregate Financing to the Real Economy (Increment)

	20	15	2016	
-	Increment (RMB100 million)	Proportion (%)	Increment (RMB100 million)	Proportion (%)
Aggregate Financing to the Real Economy	154 063	100.0	178 022	100.0
Of which: RMB Loans	112 693	73.1	124 372	69.9
Foreign Currency-Denominated Loans (RMB equivalent)	-6 427	-4.2	-5 640	-3.2
Designated Loans	15 911	10.3	21 854	12.3
Trust Loans	434	0.3	8 593	4.8
Undiscounted Bankers' Acceptances	-10 567	-6.9	-19 531	-11.0
Net Financing of Corporate Bonds	29 388	19.1	29 993	16.8
Domestic Equity Financing by Non- Financial Corporation's	7 590	4.9	12 416	7.0

Notes: 1. Aggregate Financing to the Real Economy (Increment) is an aggregate indicator measuring total funding from the financial system to the real economy (non-financial enterprises and households) during a certain period.

2. The data are preliminary.

3. Sources: PBC, NDRC, CSRC, CIRC, CCDC and NAFMII.

Aggregate Financing to the Real Economy (Stock), 2016

	Stock (RMB1 trillion)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	155.99	12.8	100
Of which: RMB Loans	105.19	13.4	67.4
Foreign Currency-Denominated Loans			
(RMB equivalent)	2.63	-12.9	1.7
Designated Loans	13.20	19.8	8.5
Trust Loans	6.31	15.8	4.0
Undiscounted Bankers' Acceptances	3.90	-33.4	2.5
Net Financing of Corporate Bonds	17.92	22.5	11.5
Domestic Equity Financing by Non-			
financial Corporations	5.77	27.6	3.7

Notes: 1. Aggregate Financing to the Real Economy (Stock) refers to the outstanding balance of funding from the financial system to the real economy (non-financial enterprises and households) at the end of a certain period.

2. The data are preliminary.

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

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

5. Sources: PBC, CSRC, CIRC, CCDC and NAFMII.

Aggregate Financing to the Real Economy (Increment), 2016, by Area

RMB100 million

					Of wh	nich		
Areas	Aggregate Financing to the Real Economy, by Areas	RMB Loans	Foreign Currency- Denominated Loans (RMB equivalent)	Designated Loans	Trust Loans	Undiscounted Bankers' Acceptances	Net Financing of Corporate Bonds	Domestic Equity Financing by Non-financial Corporations
Beijing	13 446	5 392	-1 393	2 668	574	. 646	3 768	1 464
Tianjin	3 594	2 821	-217	1 120	99	-1 297	891	72
Hebei	6 327	5 203	-80	499	575	-1 003	564	342
Shanxi	1 831	1 768	4	-414	60	-166	361	122
Inner Mongolia	2 138	2 227	-24	378	-197	-152	-379	171
Liaoning	4 693	2 550	-261	1 748	212	-260	467	62
Jilin	2 790	1 938	-40	451	94	5	76	109
Heilongjiang	1 941	1 453	-81	134	-3	82	45	197
Shanghai	11 466	5 104	-815	2 233	1 882	17	1 920	861
Jiangsu	16 758	12 247	-534	2 210	9	-2 424	3 626	1 232
Zhejiang	7 485	5 816	-717	847	445	-1 843	1 270	1 294
Anhui	6 284	4 690	-93	1 073	33	-372	353	372
Fujian	6 558	4 239	-281	1 025	851	-1 156	1 234	441
Jiangxi	3 876	3 373	-111	741	-255	-572	421	185
Shandong	8 312	6 289	-576	1 255	456	-1 507	1 531	446
Henan	6 824	5 077	182	484	221	-143	379	393
Hubei	5 911	4 794	-63	395	237	-846	829	416
Hunan	4 437	3 495	-175	294	-47	-788	1 228	249
Guangdong	21 155	14 285	203	1 772	832	-2 595	3 715	2 313
Guangxi	2 617	2 529	-30	200	0	-610	198	148
Hainan	1 900	893	99	459	0	-249	231	409
Chongqing	3 411	2 392	133	-221	260	-931	1 180	197
Sichuan	6 651	4 810	-77	930	270	-589	596	172
Guizhou	4 327	2 807	-7	902	142	-518	814	92
Yunnan	1 824	2 219	-6	365	-568	-555	156	102
Tibet	935	925	-2	43	-92	30	-2	14
Shaanxi	3 516	2 159	-55	695	514	-344	351	78
Gansu	2 720	2 356	-192	345	630	-420	-206	100
Qinghai	609	590	-2	179	105	-283	-59	53
Ningxia	530	550	-5	32	0	-138	27	48
Xinjiang	1 685	1 502	-15	-45	123	-523	263	262

Note: In 2016, funding provided by the headquarters of financial institutions totaled RMB762.9 billion.

Selected Financial Indicators

(Year-end Balances)

	2012	2013	2014	2015	2016
Money & Quasi-money (M ₂)	974 148.8	1 106 525.0	1 228 374.8	1 392 278.1	1 550 066.7
Money (M1)	308 664.2	337 291.1	348 056.4	400 953.4	486 557.2
Currency in Circulation (M_0)	54 659.8	58 574.4	60 259.5	63 216.6	68 303.9
Total Deposits with Financial Institutions	917 554.8	1 043 846.9	1 138 644.6	1 357 021.6	1 505 863.8
Savings Deposits	399 551.0	447 601.6	485 261.3	526 280.8	569 149.3
Non-financial Enterprise Deposits	327 393.7	361 555.2	378 333.8	430 247.4	502 178.4
Total Lending by Financial Institutions	629 909.6	718 961.5	816 770.0	939 540.2	1 066 040.1

Selected Financial Indicators

(Growth Rates)

				Percentage cha		
	2012	2013	2014	2015	2016	
Money & Quasi-money (M ₂)	13.8	13.6	12.2	13.3	11.3	
Money (M1)	6.5	9.3	3.2	15.2	21.4	
Currency in Circulation (M_{0})	7.7	7.2	2.9	4.9	8.1	
Total Deposits with Financial Institutions	13.4	13.8	9.1	12.4	11.0	
Savings Deposits	16.3	11.9	8.4	8.5	8.2	
Non-financial Enterprise Deposits	9.9	10.1	4.6	13.7	16.7	
Total Lending by Financial Institutions	15.0	14.1	13.6	14.3	13.5	

RMB100 million

Monetary Statistics

Depository Corporations Survey, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Net Foreign Assets	271 902.51	270 808.24	268 410.62	263 947.53
Domestic Credit	1 425 206.59	1 496 112.44	1 544 356.39	1 600 067.21
Claims on Government (net)	105 297.31	128 867.58	146 868.01	162 351.58
Claims on Non-financial Sectors	1 089 233.25	1 118 050.46	1 139 687.61	1 166 092.58
Claims on Other Financial Sectors	230 676.03	249 194.40	257 800.77	271 623.05
Money & Quasi-money	1 446 198.03	1 490 491.83	1 516 360.50	1 550 066.67
Money	411 581.31	443 643.70	454 340.25	486 557.24
Currency in Circulation	64 651.21	62 818.89	65 068.62	68 303.87
Corporate Demand Deposits	346 930.10	380 824.81	389 271.63	418 253.37
Quasi-money	1 034 616.71	1 046 848.13	1 062 020.26	1 063 509.43
Corporate Time Deposits	300 623.37	301 673.99	315 077.15	307 989.61
Personal Deposits	586 855.68	587 548.66	598 880.53	603 504.20
Other Deposits	147 137.66	157 625.48	148 062.57	152 015.62
Deposits Excluded from Broad Money	38 640.09	39 130.29	40 162.25	44 874.49
Bonds	172 910.91	181 274.72	191 976.93	201 110.89
Paid-in Capital	44 207.92	44 560.14	45 562.81	47 166.59
Others (net)	-4 847.84	11 463.70	18 704.51	20 796.11

Note: Deposits in housing provident fund management centers with bank accounts and deposits in non-depository financial institutions are already included as quasi-money.

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	246 545.30	245 223.59	238 943.29	229 795.77
Foreign Exchange	238 365.77	236 307.53	229 108.68	219 425.26
Monetary Gold	2 416.61	2 487.73	2 530.43	2 541.50
Other Foreign Assets	5 762.92	6 428.33	7 304.17	7 829.01
Claims on Government	15 312.73	15 274.09	15 274.09	15 274.09
Of which: Central Government	15 312.73	15 274.09	15 274.09	15 274.09
Claims on Other Depository Corporations	44 158.16	57 566.49	61 905.21	84 739.02
Claims on Other Financial Corporations	6 654.59	6 657.69	6 657.69	6 324.41
Claims on Non-financial Sectors	72.10	74.74	71.69	81.03
Other Assets	13 473.58	13 345.56	12 098.46	7 497.26
Total Assets	326 216.46	338 142.16	334 950.43	343 711.59
Reserve Money	283 376.58	289 070.82	290 706.67	308 979.61
Currency Issues	71 352.51	69 030.85	71 920.48	74 884.44
Deposits of Financial Corporations	212 024.07	220 039.97	218 786.19	234 095.17
Deposits of Other Depository Corporations	212 024.07	220 039.97	218 786.19	234 095.17
Deposits of Other Financial Corporations				
Deposits of Financial Corporations Excluded				
from Reserve Money	3 909.69	4 759.53	5 712.91	6 485.03
Bond Issues	6 572.00	6 572.00	764.00	500.00
Foreign Liabilities	3 827.75	3 881.51	3 786.76	3 195.07
Government Deposits	27 338.77	31 797.32	29 920.44	25 062.70
Equity	219.75	219.75	219.75	219.75
Other Liabilities	971.93	1 841.23	3 839.89	-730.58
Total Liabilities	326 216.46	338 142.16	334 950.43	343 711.59

Notes: 1. Deposits of other financial corporations with the monetary authority are no longer included in "Reserve Money", in line with the definition of "Reserve Money" defined by the International Monetary Fund.

2. Deposits of overseas financial institutions with the PBC are included in "Foreign Liabilities" instead of "Other Depository Corporations".

Balance Sheet of Other Depository Corporations, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	41 063.46	42 585.43	46 034.22	50 019.57
Reserve Assets	221 686.94	230 116.56	230 545.77	246 447.18
Deposits with the Central Bank	214 985.66	223 904.60	223 693.91	239 866.61
Cash in Vault	6 701.27	6 211.96	6 851.86	6 580.57
Claims on Government	117 323.34	145 390.81	161 514.36	172 140.19
Of which: Central Government	117 323.34	145 390.81	161 514.36	172 140.19
Claims on the Central Bank	6 160.88	5 695.55	677.21	525.23
Claims on Other Depository Corporations	300 636.14	304 319.78	304 521.91	315 878.20
Claims on Other Financial Corporations	224 021.44	242 536.71	251 143.08	265 298.63
Claims on Non-financial Corporations	809 470.17	821 461.39	825 631.79	836 467.90
Claims on Other Resident Sectors	279 690.98	296 514.34	313 984.13	329 543.65
Other Assets	75 906.17	81 626.14	82 685.66	87 435.13
Total Assets	2 075 959.53	2 170 246.70	2 216 738.13	2 303 755.70
Liabilities to Non-financial Institutions & Households	1 314 172.28	1 356 212.53	1 387 791.35	1 420 678.69
Deposits Included in Broad Money	1 234 409.16	1 270 047.46	1 303 229.32	1 329 747.18
Corporate Demand Deposits	346 930.10	380 824.81	389 271.63	418 253.37
Corporate Time Deposits	300 623.37	301 673.99	315 077.15	307 989.61
Personal Deposits	586 855.68	587 548.66	598 880.53	603 504.20
Deposits Excluded from Broad Money	38 640.09	39 130.29	40 162.25	44 874.49
Transferable Deposits	11 354.26	11 064.60	12 078.45	14 028.43
Other Deposits	27 285.83	28 065.68	28 083.80	30 846.06
Other Liabilities	41 123.03	47 034.79	44 399.78	46 057.02
Liabilities to the Central Bank	46 855.28	60 246.77	64 388.36	87 879.65
Liabilities to Other Depository Corporations	123 721.19	131 786.23	135 593.43	144 836.81
Liabilities to Other Financial Corporations	150 575.65	160 883.66	151 793.89	157 274.92
Of which: Deposits Included in Broad Money	147 137.66	157 625.48	148 062.57	152 015.62
Foreign Liabilities	11 878.50	13 119.28	12 780.13	12 672.74
Bond Issues	172 910.91	181 274.72	191 976.93	201 110.89
Paid-in Capital	43 988.16	44 340.39	45 343.06	46 946.84
Other Liabilities	211 857.56	222 383.11	227 070.99	232 355.17
Total Liabilities	2 075 959.53	2 170 246.70	2 216 738.13	2 303 755.70

Balance Sheet of Large-sized Domestic Banks, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	24 543.32	24 979.54	26 959.07	28 224.02
Reserve Assets	119 903.53	120 200.02	122 195.23	126 353.55
Deposits with the Central Bank	116 271.21	116 829.35	118 345.62	122 710.30
Cash in Vault	3 632.32	3 370.67	3 849.61	3 643.25
Claims on Government	75 559.71	93 249.80	103 001.20	110 144.47
Of which: Central Government	75 559.71	93 249.80	103 001.20	110 144.47
Claims on the Central Bank	5 909.69	5 399.56	656.09	500.33
Claims on Other Depository Corporations	126 253.41	126 138.32	120 417.51	116 794.94
Claims on Other Financial Corporations	49 824.29	53 321.01	53 858.12	57 488.73
Claims on Non-financial Corporations	434 838.21	440 332.74	440 415.75	442 329.72
Claims on Other Resident Sectors	149 575.96	158 545.98	167 363.88	174 812.05
Other Assets	41 925.63	45 920.22	45 765.91	46 962.09
Total Assets	1 028 333.76	1 068 087.18	1 080 632.77	1 103 609.89
Liabilities to Non-financial Institutions &				
Households	705 597.47	720 161.04	735 166.88	741 531.74
Deposits Included in Broad Money	647 669.74	656 317.86	672 722.82	676 781.19
Corporate Demand Deposits	1 77 794.96	191 171.54	195 468.13	200 970.93
Corporate Time Deposits	116 977.00	115 272.39	119 485.99	116 787.73
Personal Deposits	352 897.78	349 873.93	357 768.69	359 022.53
Deposits Excluded from Broad Money	20 066.48	20 836.22	21 682.87	23 882.77
Transferable Deposits	5 423.26	5 054.20	5 845.97	6 599.10
Other Deposits	14 643.22	15 782.02	15 836.89	17 283.67
Other Liabilities	37 861.25	43 006.96	40 761.19	40 867.77
Liabilities to the Central Bank	26 001.40	34 153.19	34 937.91	45 262.48
Liabilities to Other Depository Corporations	21 770.90	28 312.05	30 442.12	31 388.41
Liabilities to Other Financial Corporations	55 160.28	60 110.44	52 331.67	54 179.29
Of which: Deposits Included in Broad Money	54 070.57	59 098.67	51 248.85	52 951.96
Foreign Liabilities	4 873.52	4 989.68	5 323.35	5 355.66
Bond Issues	83 055.29	84 580.01	86 122.53	86 961.85
Paid-in Capital	20 632.41	20 607.96	20 728.35	20 848.90
Other Liabilities	111 242.47	115 172.81	115 579.96	118 081.57
Total Liabilities	1 028 333.76	1 068 087.18	1 080 632.77	1 103 609.89

Notes: 1. The PBC compiles the monetary and financial statistics on the basis of the RMB and foreign currency statistical data of domestically operating financial institutions in line with the concepts, definition, and classification of the IMF *Manual of Monetary and Financial Statistics*.

2. Large-sized domestic banks refer to those banks with total RMB and foreign currency assets of more than RMB2 trillion (as of yearend 2008), including the ICBC, CCB, ABC, BOC, CDB, BOCOM and the Postal Savings Bank of China Co., Ltd.

Balance Sheet of Medium-sized Domestic Banks, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	13 500.87	14 612.85	16 238.87	18 574.46
Reserve Assets	42 456.57	45 166.18	42 925.46	45 696.20
Deposits with Central Bank	41 857.76	44 604.43	42 335.72	45 057.01
Cash in Vault	598.81	561.75	589.73	639.19
Claims on Government	23 357.49	30 845.15	34 957.05	36 915.26
Of which: Central Government	23 357.49	30 845.15	34 957.05	36 915.26
Claims on Central Bank	123.50	122.00	0.00	0.00
Claims on Other Depository Corporations	58 283.25	61 050.49	61 245.90	63 915.31
Claims on Other Financial Corporations	85 589.46	91 619.47	94 665.63	102 136.95
Claims on Non-financial Corporations	187 591.85	189 252.79	190 044.51	193 236.87
Claims on Other Resident Sectors	58 653.37	63 433.97	68 856.80	74 314.09
Other Assets	14 428.09	14 605.98	15 062.53	15 322.79
Total Assets	483 984.46	510 708.89	523 996.76	550 111.94
Liabilities to Non-financial Institutions & Households	232 868.14	242 547.90	244 358.86	252 664.32
Deposits Included in Broad Money	218 408.62	228 096.85	230 536.18	236 599.56
Corporate Demand Deposits	77 981.09	88 156.92	87 843.66	98 436.64
Corporate Time Deposits	94 126.18	93 008.15	96 923.79	92 885.37
Personal Deposits	46 301.35	46 931.78	45 768.73	45 277.54
Deposits Excluded from Broad Money	12 969.10	12 393.62	12 101.37	13 738.14
Transferable Deposits	3 535.18	3 575.24	3 608.20	4 117.50
Other Deposits	9 433.93	8 818.38	8 493.17	9 620.64
Other Liabilities	1 490.41	2 057.44	1 721.32	2 326.62
Liabilities to Central Bank	15 942.60	19 910.37	22 649.34	31 769.20
Liabilities to Other Depository Corporations	40 638.73	40 663.27	43 836.20	49 315.13
Liabilities to Other Financial Corporations	66 473.79	70 036.51	66 760.63	68 878.21
Of which: Deposits Included in Broad Money	65 426.03	69 064.48	65 694.47	67 153.00
Foreign Liabilities	2 233.24	3 512.31	3 338.24	3 414.16
Bond Issue	71 672.30	76 485.08	84 017.56	86 078.68
Paid-in Capital	4 461.44	4 510.51	4 777.45	5 233.07
Other Liabilities	49 694.22	53 042.94	54 258.47	52 759.18
Total Liabilities	483 984.46	510 708.89	523 996.76	550 111.94

Note: Medium-sized Domestic Banks refer to banks with total RMB and foreign currency assets of more than RMB300 billion but less than RMB2 trillion (as of year-end 2008), including the China Merchants Bank Co., Ltd, Agricultural Development Bank of China, Shanghai Pudong Development Bank Co., Ltd, China CITIC Bank Co., Ltd, Industrial Bank Co., Ltd, China Minsheng Banking Corporation, China Everbright Bank Co., Ltd, Hua Xia Bank Co., Ltd., Export-Import Bank of China, Guangdong Development Bank Co., Ltd, Pingan Bank Co., Ltd, Bank of Beijing, Bank of Shanghai, and Bank of Jiangsu.

Balance Sheet of Small-sized Domestic Banks, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	782.49	641.32	663.52	881.87
Reserve Assets	44 807.21	49 063.53	4 9425.39	55 723.96
Deposits with the Central Bank	43 150.64	47 502.17	47 738.48	54 019.42
Cash in Vault	1 656.57	1 561.36	1 686.91	1 704.54
Claims on Government	15 451.85	17 978.61	20 423.32	21708.61
Of which: Central Government	15 451.85	17 978.61	20 423.32	21 708.61
Claims on the Central Bank	40.76	34.88	18.62	24.91
Claims on Other Depository Corporations	70 508.52	72 426.75	77 337.16	87 447.57
Claims on Other Financial Corporations	80 541.70	89 455.44	94 026.01	97 708.86
Claims on Non-financial Corporations	138 423.45	143 308.43	147 682.66	152 228.48
Claims on Other Resident Sectors	49 218.90	52 604.49	56 499.06	60 018.72
Other Assets	13 664.47	14 714.08	15 793.95	16 889.78
Total Assets	413 439.35	440 227.52	461 869.70	492 632.74
Liabilities to Non-financial Institutions &				
Households	269 326.94	286 479.35	301 089.36	314 329.36
Deposits Included in Broad Money	266 068.56	283 048.26	297 389.66	309 906.22
Corporate Demand Deposits	64 668.66	72 837.57	77 206.31	84 609.36
Corporate Time Deposits	67 014.05	69 884.71	72 970.40	72 679.52
Personal Deposits	134 385.84	140 325.99	147 212.95	152 617.34
Deposits Excluded from Broad Money	2 155.35	2 169.40	2 327.06	2 645.86
Transferable Deposits	415.17	403.89	450.69	600.43
Other Deposits	1 740.18	1 765.52	1 876.36	2 045.43
Other Liabilities	1 103.03	1 261.68	1 372.65	1 777.28
Liabilities to the Central Bank	3 914.57	4 962.56	5 555.64	9 510.22
Liabilities to Other Depository Corporations	47 312.07	49 313.76	48 425.40	52 388.42
Liabilities to Other Financial Corporations	26 727.80	28 573.45	30 872.69	32 396.67
Of which: Deposits Included in Broad Money	25 877.10	27 840.47	29 766.04	30 625.89
Foreign Liabilities	839.80	671.48	717.78	641.85
Bond Issues	17 633.80	19 779.69	21 393.53	27 607.65
Paid-in Capital	11 039.49	11 418.27	11 955.40	12 659.34
Other Liabilities	36 644.89	39 028.97	41 859.89	43 099.22
Total Liabilities	413 439.35	440 227.52	461 869.70	492 632.74

Note: Small-sized Domestic Banks refer to banks with total RMB and foreign currency assets of less than RMB300 billion (as of year-end 2008), including Hengfeng Bank, China Zheshang Bank, China Bohai Bank, small-sized city commercial banks, rural commercial banks, rural cooperative banks, and rural banks.

Balance Sheet of Foreign-funded Banks, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	1 983.64	2 066.16	1 898.73	2 070.88
Reserve Assets	2 868.53	3 107.26	3 584.13	4 059.87
Deposits with the Central Bank	2 858.75	3 098.44	3 575.12	4 051.10
Cash in Vault	9.78	8.83	9.01	8.77
Claims on Government	1 686.78	1 945.95	1 807.48	1 958.02
Of which: Central Government	1 686.78	1 945.95	1 807.48	1 958.02
Claims on the Central Bank	86.93	138.09	2.50	
Claims on Other Depository Corporations	4 683.10	4 684.07	5 293.65	5 697.53
Claims on Other Financial Corporations	2 545.12	2 454.08	2 469.24	2 738.25
Claims on Non-financial Corporations	10 316.01	10 251.69	9 832.20	10 254.49
Claims on Other Resident Sectors	1 002.26	1 023.02	1040.37	1 081.24
Other Assets	1 019.13	1 637.62	1 586.83	3 809.46
Total Assets	26 191.50	27 307.94	27 515.13	31 669.73
Liabilities to Non-financial Institutions & Households	13 683.79	14 452.25	15 130.53	17 153.13
Deposits Included in Broad Money	10 314.51	10 781.15	11 472.63	12 731.07
Corporate Demand Deposits	2 989.85	3 471.74	3 198.54	4 425.12
Corporate Time Deposits	5 922.42	5 955.17	6 946.54	6 995.68
Personal Deposits	1 402.24	1 354.24	1 327.56	1 310.28
Deposits Excluded from Broad Money	2 810.99	3 047.44	3 199.60	3 477.52
Transferable Deposits	1 529.20	1 591.72	1 645.17	1 844.67
Other Deposits	1 281.79	1 455.73	1 554.42	1 632.85
Other Liabilities	558.29	623.66	458.30	944.54
Liabilities to the Central Bank	34.32	179.79	274.37	167.80
Liabilities to Other Depository Corporations	2 484.40	2 313.15	2 473.75	2 610.92
Liabilities to Other Financial Corporations	1 631.85	1 448.80	1 247.43	1 240.85
Of which: Deposits Included in Broad Money	1 484.07	1 293.29	1 037.13	1 027.39
Foreign Liabilities	3 905.35	3 926.62	3 384.32	3 247.44
Bond Issues	317.93	201.97	196.84	183.79
Paid-in Capital	1 748.38	1 780.84	1 757.56	1 760.61
Other Liabilities	2 385.47	3 004.50	3 050.34	5 305.19
Total Liabilities	26 191.50	27 307.94	27 515.13	31 669.73

Balance Sheet of Rural Credit Cooperatives, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	3.32	3.55	3.70	3.62
Reserve Assets	9 698.17	10 519.59	10 111.04	11 574.25
Deposits with the Central Bank	8 894.40	9 810.31	9 394.45	10 989.44
Cash in Vault	803.77	709.28	716.59	584.81
Claims on Government	1 206.75	1 294.38	1 255.31	1 349.51
Of which: Central Government	1 206.75	1 294.38	1 255.31	1 349.51
Claims on the Central Bank				
Claims on Other Depository Corporations	27 002.57	25 247.97	24 680.08	22 290.18
Claims on Other Financial Corporations	2 983.64	3 248.11	3 152.79	2 642.19
Claims on Non-financial Corporations	21 914.37	20 786.55	19 760.80	19 471.16
Claims on Other Resident Sectors	20 485.44	20 089.21	19 305.78	18 258.74
Other Assets	4 558.53	4 450.33	4 211.50	4 160.20
Total Assets	87 852.79	85 639.67	82 481.00	79 749.85
Liabilities to Non-financial Institutions &				
Households	64 256.37	62 305.64	59 913.43	57 661.97
Deposits Included in Broad Money	64 150.12	62 224.64	59 830.29	57 525.89
Corporate Demand Deposits	9 619.33	10 336.09	10 548.71	10 124.47
Corporate Time Deposits	2 664.18	2 827.77	2 480.96	2 127.42
Personal Deposits	51 866.61	49 060.79	46 800.62	45 274.00
Deposits Excluded from Broad Money	5.61	4.74	4.84	5.88
Transferable Deposits	0.58	0.40	0.82	1.49
Other Deposits	5.03	4.34	4.02	4.40
Other Liabilities	100.64	76.25	78.30	130.21
Liabilities to the Central Bank	844.43	916.49	828.56	984.43
Liabilities to Other Depository Corporations	10 928.46	10 452.41	9 886.10	8 609.40
Liabilities to Other Financial Corporations	449.55	575.02	445.60	435.60
Of which: Deposits Included in Broad Money	177.46	232.17	216.54	147.43
Foreign Liabilities	0.09	0.18	0.14	0.02
Bond Issues	40.22	37.78	60.11	72.46
Paid-in Capital	2 373.20	2 224.86	2 128.64	2 145.82
Other Liabilities	8 960.48	9 127.29	9 218.42	9 840.14
Total Liabilities	87 852.79	85 639.67	82 481.00	79 749.85

Balance Sheet of Finance Companies, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Foreign Assets	249.82	282.02	270.33	264.73
Reserve Assets	1 952.92	2 059.99	2 304.53	3 039.34
Deposits with the Central Bank	1 952.91	2 059.91	2 304.52	3 039.33
Cash in Vault	0.02	0.08	0.01	0.01
Claims on Government	60.77	76.91	69.99	64.33
Of which: Central Government	60.77	76.91	69.99	64.33
Claims on the Central Bank		1.03		
Claims on Other Depository Corporations	13 905.28	14 772.19	15 547.61	19 732.68
Claims on Other Financial Corporations	2 537.22	2 438.60	2 971.27	2 583.66
Claims on Non-financial Corporations	16 386.29	17 529.19	17 895.87	18 947.18
Claims on Other Resident Sectors	755.05	817.67	918.24	1 058.80
Other Assets	310.32	297.91	264.93	290.82
Total Assets	36 157.67	38 275.49	40 242.78	45 981.55
Liabilities to Non-financial Institutions & Households	28 439.57	30 266.35	32 132.28	37 338.17
Deposits Included in Broad Money	27 797.60	29 578.69	31 277.73	36 203.24
Corporate Demand Deposits	13 876.19	14 850.95	15 006.27	19 686.86
Corporate Time Deposits	13 919.55	14 725.80	16 269.47	16 513.89
Personal Deposits	1.86	1.94	1.98	2.50
Deposits Excluded from Broad Money	632.56	678.85	846.52	1 124.31
Transferable Deposits	450.87	439.16	527.59	865.25
Other Deposits	181.69	239.70	318.94	259.06
Other Liabilities	9.41	8.80	8.03	10.61
Liabilities to the Central Bank	117.97	124.37	142.54	185.53
Liabilities to Other Depository Corporations	586.62	731.59	529.86	524.52
Liabilities to Other Financial Corporations	132.38	139.44	135.89	144.30
Of which: Deposits Included in Broad Money	102.44	96.40	99.54	109.95
Foreign Liabilities	26.50	19.01	16.28	13.61
Bond Issues	191.36	190.19	186.36	206.45
Paid-in Capital	3 733.24	3 797.94	3 995.66	4 299.10
Other Liabilities	2 930.02	3 006.60	3 103.91	3 269.86
Total Liabilities	36 157.67	38 275.49	40 242.78	45 981.55

Monetary Aggregates, 2016 (Quarter-end Balance)

				RMB100 million
	Q1	Q2	Q3	Q4
Money & Quasi-money (M ₂)	1 446 198.03	1 490 491.83	1 516 360.50	1 550 066.67
Money (M1)	411 581.31	443 643.70	454 340.25	486 557.24
Currency in Circulation (M_0)	64 651.21	62 818.89	65 068.62	68 303.87
Corporate Demand Deposits	346 930.10	380 824.81	389 271.63	418 253.37
Quasi-money	1 034 616.71	1 046 848.13	1 062 020.26	1 063 509.43
Corporate Time Deposits	300 623.37	301 673.99	315 077.15	307 989.61
Personal Deposits	586 855.68	587 548.66	598 880.53	603 504.20
Other Deposits	147 137.66	157 625.48	148 062.57	152 015.62

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

Monetary Aggregates, 2016 (Year-on-Year Percentage Change)

				Percent per annum
	Q1	Q2	Q3	Q4
Money & Quasi-money (M ₂)	13.40	11.78	11.51	11.33
Money (M1)	22.05	24.59	24.68	21.35
Currency in Circulation (M_{o})	4.36	7.19	6.63	8.05
Corporate Demand Deposits	26.04	28.02	28.31	23.84
Quasi-money	10.29	7.12	6.69	7.28
Corporate Time Deposits	9.24	4.27	5.53	6.85
Personal Deposits	7.74	8.98	9.31	9.32
Other Deposits	24.44	5.91	-0.60	0.67

Note: Same as in the above note.

Statistics on the Volume of RMB Issuances

RMB100 million Notes & Coins Year-end Balance, 2015 Year-end Balance, 2016 100 Yuan Note 60 950.62 65 390.72 50 Yuan Note 3 139.83 3 277.79 20 Yuan Note 1 209.52 1 303.11 10 Yuan Note 1 915.32 2 063.72 883.78 931.01 5 Yuan Note 2 Yuan Note 38.97 38.94 656.95 1 Yuan Note 592.73 5 Jiao Note 151.85 154.32 2 Jiao Note 20.92 20.89 1 Jiao Note 71.52 71.34 5 Fen Note 1.56 1.56 2 Fen Note 1.76 1.76 1 Fen Note 2.92 2.92 1 Yuan Coin 509.46 550.07 5 Jiao Coin 187.37 203.53 1 Jiao Coin 114.33 122.32 5 Fen Coin 6.95 6.95 2 Fen Coin 5.82 5.82 1 Fen Coin 3.52 3.53 69 808.75 74 807.24 Total

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

Business Statistics on Non-cash Payment Operations

		2	015	2016		
		Transaction Number (10 000)	Transaction Value (RMB100 million)	Transaction Number (10 000)	Transaction Value (RMB100 million)	
	Bills of Exchange	211.94	15 594.23	153.01	9 504.63	
	of which: Bankers' Drafts	5.03	804.85	21.15	63.50	
	Transfer Bank Drafts	206.91	14 789.38	131.86	9 441.13	
	Commercial Drafts	1 905.71	209 875.05	1 656.45	189 498.91	
	of which: Commercial Acceptance Bills	31.73	57 423.45	46.09	12 838.08	
	Bankers' Acceptance Bills	1 873.98	152 451.60	1 610.35	176 660.83	
	Promissory Notes	458.6	41 515.78	234.52	20 926.58	
Commercial Papers	of which: Cash Promissory Notes	10.63	1 761.69	0.37	11.39	
	Transfer Promissory Notes	447.97	39 754.09	234.15	20 915.19	
	Cheques	39 124.56	2 115 334.60	27 297.07	1 658 006.59	
	of which: Cash Cheques	9 725.26	116 950.35	9 259.00	59 502.21	
	Transfer Cheques	29 399.31	1 998 384.25	18 038.07	1 598 504.38	
	of which: Organization Cheques	38 591.63	2 111 697.97	27 158.29	1 656 067.31	
	Personal Cheques	532.93	3 636.64	138.78	1 939.28	
	Total	41 700.81	2 382 319.66	29 341.05	1 877 936.70	
	Cash Deposits	919 221.03	709 687.47	1 047 371.28	771 741.38	
	Cash Withdrawals	1 842 092.15	731 488.29	1 799 774.62	654 956.17	
Bankcards	of which: ATM	1 456 840.72	240 063.70	1 569 276.89	257 236.70	
Darikourus	Consumption	2 902 994.47	550 005.14	3 832 907.40	564 981.96	
	Transfers	2 858 569.38	4 706 974.76	4 867 307.53	5 426 443.09	
	Total	8 522 877.02	6 698 155.66	11 547 360.83	7 418 122.60	
	Credit Transfer	634 276.38	24 099 366.86	790 026.13	26 751 787.46	
	Direct Debit	233 240.60	1 281 260.16	144 277.58	795 341.45	
Settlements	Consignment Collection Payments	75.66	7 840.86	51.46	7 458.46	
	Domestic Letters of Credit	9.52	19 591.63	10.02	21 707.75	
	Total	867 602.16	25 408 059.50	934 365.19	27 576 295.12	

Statistics on Transactions via Payment Systems

10 000 (number), RMB100 million				
		2015	2016	
High Value Payment System	Volume (number)	78 883.86	82 566.97	
	Value	29 520 565.22	36 162 984.12	
Bulk Electronic Payment System	Volume (number)	183 526.95	234 830.13	
	Value	249 402.68	309 131.24	
Internet Banking Payment System	Volume (number)	296 555.07	445 314.80	
	Value	277 563.81	374 610.10	
Inter-city Bill Clearing System	Volume (number)	39 515.72	37 246.57	
	Value	1 243 363.80	1 308 049.55	
China Domestic Foreign Currency Payment System	Volume (number)	207.88	198.58	
rayment System	Value	57 002.02	54 732.23	
Check Image Exchange System	Volume (number)	896.07	791.67	
	Value	4 477.79	4 100.83	
Interbank Fund Transfer System	Volume (number)	1 970 775.51	2 583 027.85	
	Value	11 940 122.11	12 154 693.66	
Interbank Bankcard Payment System	Volume (number)	2 066 757.44	2 376 180.09	
	Value	492 752.74	670 694.00	
Payment and Clearing System of City Commercial Banks	Volume (number)	259.66	387.46	
Commercial Banks	Value	5 406.75	8 253.17	
Payment and Clearing System of Rural Credit Banks	Volume (number)	57 291.30	168 098.04	
	Value	35 951.81	54 272.00	
Cross-border Interbank Payment System	Volume (number)	8.67	63.61	
	Value	4 808.98	43 617.74	
Total	Volume (number)	4 694 678.13	5 928 705.77	
	Value	43 831 417.71	51 145 138.64	

Statistics on the Number of Bank RMB Settlement Accounts

					10 000 (number)
	2012	2013	2014	2015	2016
Entity Settlement Accounts	3 169.57	3 558.06	3 976.91	4 439.03	4 939.47
Basic Deposit Settlement Accounts	1 904.47	2 162.35	2 468.02	2 835.43	3 282.67
General Deposit Settlement Accounts	983.28	1 099.47	1 196.90	1 272.76	1 306.72
Special Deposit Settlement Accounts	258.98	274.28	291.02	310.13	330.01
Temporary Deposit Settlement Accounts	22.83	21.96	20.96	20.71	20.07
Individual Settlement Accounts	487 811.70	560 720.36	647 271.18	732 526.66	830 315.62
Total	490 981.27	564 278.42	651 248.09	736 965.69	835 255.09

Statistics on the Number of Bankcards¹

				100	million (number)
	2012	2013	2014	2015	2016
Debit Cards	32.03	38.23	44.81	50.10	56.60
Credit Cards	2.89	3.44	4.00	3.93	4.20
Combo Cards ²	0.42	0.47	0.55	0.39	0.45
Total	35.34	42.14	49.36	54.42	61.25

Notes: 1. Beginning in 2015, the PBC adjusted the statistical coverage of bankcards.

2. With debit and credit functions.

Interest Rates

RMB Interest Rates, 2016

Percent per an		
	Jan. 1	Dec. 31
Benchmark Rates1		
Required Reserves	1.62	1.62
Excess Reserves	0.72	0.72
Loans to Financial Institutions		
1 Month	2.90	2.90
3 Months	3.20	3.20
6 Months	3.40	3.40
1 Year	3.50	3.50
Rediscount	2.25	2.25
Official Interest Rates on Deposits & Loans of Financial Institutions1		
Interest Rates on Deposits		
Demand Deposits	0.35	0.35
Time Deposits		
3 Months	1.10	1.10
6 Months	1.30	1.30
1 Year	1.50	1.50
2 Years	2.10	2.10
3 Years	2.75	2.75
Interest Rates on Loans		
1 Year or Less	4.35	4.35
1~5 Years (including 5 years)	4.75	4.75
Longer than 5 Years	4.90	4.90
Loan Prime Rate (Average) ²	4.30	4.30
Weighted Average Rates in the Interbank Market ³		
Interbank Borrowing		2.44
Bond-pledged Repo		2.56

Notes: 1. The PBC did not adjust the benchmark rates and the official interest rates on deposits & loans of financial institutions in 2016.

2. Respective average rates for January 4 and December 31, 2016.

3. Monthly average rates for December 2016.

				Pe	rcent per annum
	Nov. 18, 2004	May 20, 2005	Aug. 23, 2005	Oct. 15, 2005	Dec. 28, 2005
Demand Deposits	0.075	0.075	0.275	0.775	1.150
7-Day Notice Deposits	0.250	0.250	0.500	1.000	1.375
1 Month	0.375	0.625	1.250	1.750	2.250
3 Months	0.625	0.875	1.750	2.250	2.750
6 Months	0.750	1.000	1.875	2.375	2.875
1 Year	0.875	1.125	2.000	2.500	3.000

Interest Rates on Small-value USD Deposits

Note: No adjustments since December 28, 2005.

Shibor Monthly Average Rates, 2016

							Percent	t per annum
	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	1.98	2.33	2.84	2.99	3.05	3.15	3.21	3.30
February	1.99	2.35	2.65	2.93	3.00	3.08	3.15	3.24
March	1.97	2.30	2.61	2.70	2.81	2.93	3.01	3.09
April	2.01	2.32	2.77	2.81	2.86	2.89	2.97	3.04
Мау	2.00	2.33	2.78	2.85	2.92	2.96	2.98	3.05
June	2.01	2.35	2.76	2.86	2.95	2.98	3.00	3.05
July	2.01	2.33	2.72	2.82	2.90	2.97	2.99	3.05
August	2.03	2.34	2.64	2.71	2.81	2.90	2.93	3.03
September	2.13	2.40	2.55	2.70	2.79	2.88	2.92	3.03
October	2.20	2.40	2.56	2.72	2.81	2.89	2.94	3.03
November	2.25	2.43	2.58	2.78	2.92	2.96	2.99	3.07
December	2.30	2.52	2.73	3.13	3.17	3.19	3.22	3.28

Note: Monthly average rates for each month.

Financial Market Statistics

Money Market Statistics, 2016

	Q1	Q2	Q3	Q4
Turnover of Interbank Borrowing (RMB100 million)	180 875	271 274	292 569	214 413
Turnover of Interbank Repo (RMB100 million)	1 361 262	1 526 657	1 735 062	1 390 047
Quarter-end Shibor: Overnight (%)	2.02	2.04	2.33	2.23
Quarter-end Shibor: 1-Week (%)	2.33	2.39	2.48	2.54
Quarter-end Monthly Weighted Average Rate of Interbank Borrowing (%)	2.09	2.14	2.25	2.44
Quarter-end Monthly Weighted Average Rate of Bond-pledged Repo (%)	2.10	2.10	2.28	2.56
Commercial Bills Accepted (RMB100 million)	49 472	44 779	41 769	44 487
Quarter-end Commercial Bills Outstanding (RMB100 million)	105 386	98 022	94 860	90 259
Financial Institutions Discounted (RMB100 million)	272 851	245 862	183 153	143 595
Quarter-end Financial Institutions Discount Outstanding (RMB100 million)	49 417	53 218	57 152	54 710

Bond Market Statistics, 2016

	Q1	Q2	Q3	Q4
Total Bond Issuances (RMB100 million)	80 388	99 486	96 307	79 712
Government Bonds	13 954	35 478	25 496	16 158
Central Bank Bills	0	0	0	0
Financial Bonds	42 817	45 569	47 915	45 851
Interbank Negotiable Certificates of Deposit	29 384	30 832	36 094	33 421
Corporate Credit Bonds	23 587	18 362	22 766	17 527
International Institutions Bonds	30	76	130	176
Quarter-end Outstanding Balance of Bond Issuances ² (RMB100 million)	523 316	574 272	612 963	637 950
Government Bonds	163 159	194 223	213 814	225 734
Central Bank Bills	4 222	4 222	214	0
Financial Bonds	198 063	211 651	226 488	236 499
Interbank Negotiable Certificates of Deposit	42 219	49 371	59 245	62 761
Corporate Credit Bonds	157 717	163 925	172 071	175 180
International Institutions Bonds	155	251	376	537
Quarter-end Chinabond Composite Index (%, net price)	104.9	104.2	104.9	100.2
Quarter-end Chinabond Yield Curve (%, for 1-year term)	2.09	2.39	2.16	2.65
Quarter-end Chinabond Yield Curve (%, for 10-year term)	2.84	2.84	2.73	3.01

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

Stock Market Statistics, 2016

	Q1	Q2	Q3	Q4
Total Funds Raised (RMB100 million)	3 375	3 241	4 491	3 403
Trading Turnover (RMB100 million)	320 400	319 784	321 656	312 004
Quarter-end Volume of Stocks Issued (100 million				
shares)	43 625	46 276	47 889	48 750
Quarter-end Market Capitalization (RMB100 million)	454 156	462 921	485 008	507 686
Quarter-end Number of Companies Listed	2 851	2 887	2 952	3 052
Quarter-end Closing Index-	-	-	-	-
Shanghai Stock Exchange Composite Index				
(December 19, 1990=100)	3 004	2 930	3 005	3 104
Shenzhen Stock Exchange Component Index				
(July 20, 1994=1000)	10 455	10 490	10 568	10 177

Securities Investment Funds Statistics, 2016

	Q1	Q2	Q3	Q4
Number of Securities Investment Funds	2 899	3 115	3 413	3 873
Total Volume (RMB100 million)	76 822	76 148	84 299	88 428
Net Funds Assets (RMB100 million)	77 734	79 499	88 330	91 593
Trading Turnover (RMB100 million)	3 636	3 467	3 684	7 956

Futures Market Statistics, 2016

	Q1	Q2	Q3	Q4
Transaction Volume (10 000 lots)	104 335	124 723	95 240	89 484
Trading Turnover (RMB100 million)	457 471	535 955	457 081	505 837
Quarter-end Position (10 000 lots)	1 394	1 373	1 305	1 190
Delivery Volume (lots)	331 146	460 111	351 284	138 141

Insurance Market Statistics, 2016

	Q1	Q2	Q3	Q4
Premium Income (RMB100 million)	11 979	6 834	6 355	5 791
Property Insurance	2 154	2 148	2 069	2 354
Life Insurance	9 825	4 686	4 287	3 437
Claim and Benefit Payments (RMB100 million)	2 891	2 371	2 488	2 762
Property Insurance	1 076	1 090	1 156	1 405
Life Insurance	1 815	1 281	1 332	1 543
Quarter-end Assets, Total (RMB100 million)	138 535	142 661	146 319	151 169
Of which: Bank Deposits	26 510	23 605	22 961	24 844
Investments	93 432	102 024	105 325	109 066

Gold Market Statistics, 2016

	Q1	Q2	Q3	Q4
Value Traded of Au99.99 (RMB100 million)	3 864	4 206	3 914	2 929
Value Traded of Au (T+D) (RMB100 million)	11 460	13 097	11 826	12 908
Value Traded of Ag (T+D) (RMB100 million)	4 772	9 483	16 038	13 734
Au99.99 Quarter-end Closing Price (RMB/g)	256	284	285	264
Au (T+D) Quarter-end Closing Price (RMB/g)	256	284	285	264
Ag (T+D) Quarter-end Closing Price (RMB/kg)	3 356	3 987	4 209	3 988

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

RMB Exchange Rate

Veer		Year-end Rate	Change in
Year	Foreign Currency	(RMB/per unit of foreign currency)	Basis Points
	USD	6.2855	-154
2012	HKD	0.8109	1
2012	JPY	7.3049	-8 054
	EUR	8.3176	1 551
	USD	6.0969	-1 886
2013	HKD	0.7862	-246
2013	JPY	5.7771	-15 278
	EUR	8.4189	1 013
	USD	6.1190	-221
2014	HKD	0.7889	-26
2014	JPY	5.1371	64
	EUR	7.4556	9 633
	USD	6.4936	3 746
2015	HKD	0.8378	489
2015	JPY	5.3875	2 504
	EUR	7.0952	-3 604
	USD	6.937	4 434
0010	HKD	0.8945	567
2016	JPY	5.9591	5 716
	EUR	7.3068	2 116

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

Official Reserve Assets, 2016

		Q1		Q2		Q3		Q4
	100 million USD	100 million SDR						
Foreign Exchange Reserves	32 125.79	22 803.34	32 051.62	22 912.93	31 663.82	22 684.85	30 105.17	22 394.15
Reserve Position in the IMF	107.24	76.12	104.43	74.65	98.95	70.89	95.97	71.39
SDRs	104.85	74.42	104.13	74.44	101.08	72.41	96.61	71.87
Gold	714.85 (5779 ten thousand ounces)	507.41 (5779 ten thousand ounces)	774.29 (5862 ten thousand ounces)	553.52 (5862 ten thousand ounces)	781.69 (5911 ten thousand ounces)	560.02 (5911 ten thousand ounces)	678.78 (5924 ten thousand ounces)	504.92 (5924 ten thousand ounces)
Other Reserves Assets	1.72	1.22	-2.73	-1.95	-4.69	-3.36	1.91	1.42
Total	33 054.45	23 462.51	33 031.72	23 613.59	32 640.85	23 384.81	30 978.45	23 043.75

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

China's Balance of Payments, 2016

tem	100 million US
. Current Account	1 96
Credit	24 54
Debit	-22 58
1.A Goods and Services	2 49
Credit	21 97
Debit	-19 48
1.A.a Goods	4 94
Credit	19 89
Debit	-14 95
1.A.b Services	-2 44
Credit	2 08
Debit	-4 52
1.A.b.1 Manufacturing Services on Physical Inputs Owned by Others	18
Credit	18
Debit	
1.A.b.2 Maintenance and Repair Services n.i.e	3
Credit	5
Debit	-2
1.A.b.3 Transport	-46
Credit	33
Debit	-80
1.A.b.4 Travel	-2 16
Credit	44
Debit	-2 61
1.A.b.5 Construction	201
Credit	12
Debit	-8
1.A.b.6 Insurance and Pension Services	-8
Credit	4
Debit	-12
1.A.b.7 Financial Services	-12
Credit	। ट
Debit	-2
	-22
1.A.b.8 Charges for the Use of Intellectual Property	-22
Credit	
Debit	-24
1.A.b.9 Telecommunications, Computers, and Information Services	12
Credit	25
Debit 1.A.b.10 Other Business Services	-12
	14
Credit	58
Debit	-43
1.A.b.11 Personal, Cultural, and Recreational Services	-1
Credit	
Debit	-2
1.A.b.12 Government Goods and Services n.i.e	-2
Credit	1
Debit	-3
1.B Primary Income	-44
Credit	2 25
Debit	-2 69
1.B.1 Compensation of Employees	20
Credit	26
Debit	-6

Continued

Item _

Continued	
Item	100 million USD
1.B.2 Investment Income	-650
Credit	1 984
Debit	-2 634
1.B.3 Other Primary Income	3
Credit	6
Debit	-2
1.C Secondary Income	-95
Credit	309
Debit	-404
2. Capital and Financial Account	263
2.1 Capital Account	-3
Credit	3
Debit 2.2 Financial Account	-7 267
Assets	-2 174
Liabilities	2 441
2.2.1 Financial Account Excluding Reserve Assets	-4 170
Assets	-6 611
Liabilities	2 441
2.2.1.1 Direct Investments	-466
2.2.1.1.1 Assets	-2 172
2.2.1.1.1.1 Equity and Investment Fund Shares	-1 484
2.2.1.1.1.2 Debt Instruments	-688
2.2.1.1.2 Liabilities	1 706
2.2.1.1.2.1 Equity and Investment Fund Shares	1 642
2.2.1.1.2.2 Debt Instruments	64
2.2.1.2 Portfolio Investments	-622
2.2.1.2.1 Assets	-1 034
2.2.1.2.1.1 Equity and Investment Fund Shares	-385
2.2.1.2.1.2 Debt Securities	-649
2.2.1.2.2 Liabilities	412
2.2.1.2.2.1 Equity and Investment Fund Shares	189
2.2.1.2.2.2 Debt Securities	223 -47
2.2.1.3 Financial Derivatives (other than reserves) and Employee Stock Options 2.2.1.3.1 Assets	-47 -69
2.2.1.3.1 Assets 2.2.1.3.2 Liabilities	-09
2.2.1.4 Other Investments	-3 035
2.2.1.4.1 Assets	-3 336
2.2.1.4.1.1 Other Equity	0
2.2.1.4.1.2 Currency and Deposits	-435
2.2.1.4.1.3 Loans	-1 147
2.2.1.4.1.4 Insurance, Pensions, and Standardized Guarantee Schemes	-3
2.2.1.4.1.5 Trade Credit and Advances	-1 008
2.2.1.4.1.6 Other Accounts Receivable	-743
2.2.1.4.2 Liabilities	301
2.2.1.4.2.1 Other Equity	0
2.2.1.4.2.2 Currency and Deposits	102
2.2.1.4.2.3 Loans	-196
2.2.1.4.2.4 Insurance, Pensions, and Standardized Guarantee Schemes	-6
2.2.1.4.2.5 Trade Credit and Advances	162
2.2.1.4.2.6 Other Accounts Payable	239
2.2.1.4.2.7 Special Drawing Rights 2.2.2 Reserve Assets	0
2.2.2 Reserve Assets 2.2.2.1 Monetary Gold	4 437 0
2.2.2.1 Monetary Gold 2.2.2.2 Special Drawing Rights	3
2.2.2.3 Reserve Position in the IMF	-53
2.2.2.4 Foreign Exchange Reserves	4 487
2.2.2.5 Other Reserve Assets	0
3. Net Errors and Omissions	-2 227

Note: China compiles the BOP in accordance with the 6th edition of the Balance of Payments and International Investment Position Manual. Reserve assets are included in the capital account and the financial account. "Credit" and "Debit" entries are recorded as positive and negative values respectively. Apart from the "Credit" and "Debit" entries, others are recorded as "balance". This table employs rounded-off numbers.

China's External Debt Position, 2016, by Sector

		100 r	million USD
General Government	1 239	Currency & Deposits	3 022
Short-term	122	Debt Securities	460
Currency & Deposits	0	Loans	1 194
Debt Securities	122	Trade Credits & Advances	0
Loans	0	Other Debt Liabilities	0
Trade Credits & Advances	0	Long-term	1 364
Other Debt Liabilities	0	Currency & Deposits	0
Long-term	1 117	Debt Securities	800
SDR Allocations	0	Loans	562
Currency & Deposits	0	Trade Credits & Advances	0
Debt Securities	697	Other Debt Liabilities	2
Loans	421	Other Sectors	4 277
Trade Credits & Advances	0	Short-term	3 126
Other Debt Liabilities	0	Currency & Deposits	1
Central Bank	555	Debt Securities	4
Short-term	89	Loans	285
Currency & Deposits	89	Trade Credits & Advances	2 833
Debt Securities	0	Other Debt Liabilities	4
Loans	0	Long-term	1 151
Trade Credits & Advances	0	Currency & Deposits	0
Other Debt Liabilities	0	Debt Securities	217
Long-term	466	Loans	782
SDR Allocations	94	Trade Credits & Advances	50
Currency & Deposits	0	Other Debt Liabilities	101
Debt Securities	0	Direct Investment: between Enterprises	2 094
Loans	0	Liabilities of Direct Investment Enterprises to Direct Investment Investors	1 553
Trade Credits & Advances	0	Liabilities of Direct Investment Investors to Direct Investment Enterprises	18
Other Debt Liabilities	372	Liabilities to Affiliated Enterprises	523
Other Depository Corporations	6 042	Total External Debt Positions	14 207
Short-term	4 677		

Notes: 1. "Short-term" and "Long-term" are decided upon by the signed agreements.

2. This table employs rounded-off numbers.

RMB Internationalization

Statistics on RMB Cross-Border Payments and Receipts

								RMB100 million
		Current Acc	ount		Capital Account			
Year	Total	Trade in Goods	Trade in Services and Others	Total	Overseas Direct Investments	Foreign Direct Investments	Other	Settlements of Cross-border Trade
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
Total	284 710	248 339	36 370	162 025	21 726	47 858	92 441	446 735

RMB Financial Assets Held by Overseas Institutions and Persons

						RMB100 million
	Jan. 2016	Feb. 2016	Mar. 2016	Apr. 2016	May 2016	Jun. 2016
Stocks	4 877.15	4 928.37	5 709.51	5 704.54	5 773.79	6 012.05
Bonds	6 746.39	6 637.95	6 799.50	7 042.74	7 163.04	7 639.82
Loans	8 109.47	7 674.23	7 782.72	7 751.71	7 585.54	7 474.17
Deposits	13 707.58	11 896.63	12 744.50	11 925.35	12 189.93	12 529.38
	Jul. 2016	Aug. 2016	Sept. 2016	Oct. 2016	Nov. 2016	Dec. 2016
Stocks	6 321.76	6 610.96	6 562.34	6 739.31	7 092.51	6 491.85
Bonds	7 549.90	7 738.73	8 059.58	8 209.90	8 347.61	8 526.24
Loans	7 233.10	7 354.96	7 081.93	6 735.01	6 544.69	6 164.35
Deposits	11 867.40	11 669.60	11 307.15	10 810.84	10 271.00	9 154.73

Flow of Funds Statement, 2015 (Financial Transaction Accounts)

	House	eholds	Non-fir Corpo		Gen Gover	ieral nment	Fina Institu	
	Uses	Sources	Uses	Sources	Uses	Sources	Uses	Sources
Net Financial Investments	81 185		-10 807		11 508		-61 245	
Financial Uses	122 682		130 106		65 901		290 968	
Financial Sources		41 497		140 913		54 393		352 213
Currency	2 101		266		59		353	2 957
Deposits	46 818		67 002		23 972		30 346	155 584
Demand Deposits	20 768		31 202		11 522			63 491
Time Deposits	24 932		21 601		7 102			53 635
Fiscal Deposits					-914			-914
Foreign Exchange Deposits	1 148		7 049		107		-2 086	1 045
Other Deposits	-30		7 149		6 155		32 433	38 327
Customer Margin of Securities								
Companies	4 232		3 715		1 837		1 313	11 201
Loans		41 497		82 867			144 190	15 781
Short-term Loans & Discounted								
Commercial Paper Loans		11 074		35 650			46 723	
Medium & Long-term Loans		30 523		35 406			65 929	
Foreign Exchange Loans		-7		-7 182			-3 130	14
Designated Loans				15 913			15 913	
Other Loans		-92		3 080			18 754	15 766
Undiscounted Bankers'								
Acceptance Bills			-10 569	-10 569			-10 569	-10 569
Insurance Technical Reserves	14 446		970			7 025		8 391
Inter-financial Institution Accounts							-8 167	-18 134
Required & Excessive Reserves							-17 471	-17 513
Securities	8 156		7 191	37 097	4 093	47 252	110 432	44 111
Bonds	4 938		3 529	29 340	2 695	47 252	107 795	42 416
Government & Public Bonds	2 1 1 2		25		-6	47 252	45 121	
Financial Bonds			381		331		41 654	42 366
Central Bank Bonds								50
Corporate Bonds	2 826		3 124	29 340	2 370		21 020	
Shares	3 218		3 662	7 757	1 397		2 637	1 695
Securities Investment Funds								
Shares	8 927		7 837		3 876		2 770	23 630
Cash in Vault							-208	-222
Central Bank Loans							-1 038	-1 038
Miscellaneous (net)	38 001		38 273	32 000	32 064		62 433	138 772
Foreign Direct Investments			11 298	15 169				
Changes in Other Foreign Assets								
& Debts			4 123	-3 910		116	-2 026	-738
Changes in Reserve Assets							-21 390	
Errors & Omissions in the BOP				-11 742				

RMB100 million

All Domesti	c Sectors	Rest of th	he World	То	tal	
Uses	Sources	Uses	Sources	Uses	Sources	
20 641		-20 641		0		Net Financial Investments
609 657		-17 996		591 661		Financial Uses
	589 017		2 645		591 661	Financial Sources
2 780	2 957	177		2 957	2 957	Currency
168 138	155 584	-7 056	5 498	161 083	161 083	Deposits
63 491	63 491			63 491	63 491	Demand Deposits
53 635	53 635			53 635	53 635	Time Deposits
-914	-914			-914	-914	Fiscal Deposits
6 218	1 045	325	5 498	6 543	6 543	Foreign Exchange Deposits
45 708	38 327	-7 381		38 327	38 327	Other Deposits
11 096	11 201	104		11 201	11 201	Customer Margin of Securities Companies
144 190	140 145	-897	3 147	143 292	143 292	Loans
						Short-term Loans & Discounted
46 723	46 723			46 723	46 723	Commercial Paper Loans
65 929	65 929			65 929	65 929	Medium & Long-term Loans
-3 130	-7 174	-897	3 147	-4 027	-4 027	Foreign Exchange Loans
15 913	15 913			15 913	15 913	Designated Loans
18 754	18 754			18 754	18 754	Other Loans
-21 137	-21 137			-21 137	-21 137	Undiscounted Bankers' Acceptance Bills
15 416	15 416			15 416	15 416	Insurance Technical Reserves
-8 167	-18 134	-10 461	-494	-18 628	-18 628	Inter-financial Institution Accounts
-17 471	-17 513	-42		-17 513	-17 513	Required & Excessive Reserves
129 872	128 460	1 063	2 475	130 935	130 935	Securities
118 958	119 008	50		119 008	119 008	Bonds
47 252	47 252			47 252	47 252	Government & Public Bonds
42 366	42 366			42 366	42 366	Financial Bonds
	50	50		50	50	Central Bank Bonds
29 340	29 340			29 340	29 340	Corporate Bonds
10 914	9 452	1 013	2 475	11 927	11 927	Shares
23 410	23 630	220		23 630	23 630	Securities Investment Funds Shares
-208	-222		14	-208	-208	Cash in Vault
-1 038	-1 038			-1 038	-1 038	Central Bank Loans
170 772	170 772			170 772	170 772	Miscellaneous (net)
11 298	15 169	15 169	11 298	26 467	26 467	Foreign Direct Investments
2 097	-4 532	-4 532	2 097	-2 435	-2 435	Changes in Other Foreign Assets & Debts
-21 390			-21 390	-21 390	-21 390	Changes in Reserve Assets
	-11 742	-11 742		-11 742	-11 742	Errors & Omissions in the BOP

NOTES ON SECTORS AND ITEMS IN THE FLOW OF FUNDS STATEMENT

Flow of Funds Statement (Financial Transaction Accounts)⁽¹⁾: Presented in matrix format, financial accounts encompass all financial transactions among the domestic sectors and with the rest of the world. In the accounts, all institutional units are grouped under five sectors: households, non-financial corporations, general government, financial institutions, and the rest of the world, and all financial transactions taking place among the five sectors are classified by the financial instruments. The sectors and financial transactions are listed on the rows and columns of the matrix, respectively. The double-entry flow of funds accounting is based on an accrual basis. In principle, all financial transaction flows are recorded according to the transaction prices. The terms "sources" and "uses" are employed to reflect changes in the financial assets and the financial liabilities of each sector.

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

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

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

Financial Institutions: Include the central bank, commercial banks, and other financial institutions. They supply financial services including insurance.

Rest of the World: Non-residential units that have financial transactions with residential units.

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

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

Net Financial Investment: The differences between financial uses and financial sources.

Currency[®]: Notes and coins in circulation.

Deposits: All types of deposits denominated in local and foreign currencies, including demand deposits, time deposits, fiscal deposits, foreign exchange deposits, and others.

Demand Deposits: Deposits that can be withdrawn on demand, including household demand savings deposits, enterprise demand deposits, government and organization demand deposits, etc.

Time Deposits: Deposits that cannot be readily withdrawn because they are subject to a fixed term and prior notice before withdrawal, including household time deposits, enterprise time deposits, government and organization time deposits, etc.

Fiscal Deposits: Deposits of the government in banking institutions, including fiscal vault funds, fiscal transition deposits, fiscal funds to be settled, national vault time deposits, planning deposits and special-use funds deposits.

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

Other Deposits: Deposits that are not classified elsewhere, such as designated deposits, trust deposits, margin account deposits, etc.

Customer Margin of Securities Companies: Deposits of clients for the settlement of securities company client transactions, which are put into other depository corporations that serve as the third party.

Loans: All kinds of loans including short-term loans, bills financing, medium and long-term loans, foreign exchange loans, designated loans, etc.

Short-term Loans and Bills Financing: Loans provided by financial institutions with a short-term maturity (usually within one year or one year) are short-term loans. Bills financing means that financial institutions offer funds to the clients by discounting the commercial papers, bankers' acceptance bills and other papers held by the clients.

① Some financial transactions are not yet available, such as equity, commercial credit, and certain receivables payable.

② The volumes of RMB circulation in foreign countries and of foreign currency circulation in our country are limited because statistical investigations are more difficult, hence capital flow accounting does not include the above content.

Medium and Long-term Loans: Loans with a longer term maturity (usually more than one year).

Foreign Exchange Loans: Loans in foreign currencies made by domestic financial institutions to non-financial residents and the rest of the world and loans to residents by the rest of the world.

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

Other Loans: Loans that are not classified elsewhere above, such as trust loans, etc.

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

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 Excessive Reserves: Financial institution deposits with the PBC and required reserves.

Securities: All bonds and shares.

Bonds: Negotiable and bearer instruments that give the holders unconditional rights to a fixed or contractually determined variable interest on a specified date or dates and do not grant the holders any ownership rights in the institutional units that have issued them. Bonds include government and public bonds, financial bonds, central bank bonds, and corporate bonds.

Government and Public Bonds: Bonds issued by the government.

Financial Bonds: Bonds issued by financial institutions, excluding the Central Bank.

Central Bank Bonds: Bonds issued by the central bank.

Corporate Bonds: Bonds issued by non-financial corporate businesses.

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

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

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

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

Miscellaneous (net): Other domestic financial transactions not included elsewhere.

Direct Investment: Foreign direct investment from abroad and outward direct investment made by domestic residents.

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

Changes in International Reserve Assets: Consist of gold, foreign exchange, special drawing rights, reserve positions with the International Monetary Fund (IMF), and the use of IMF credit.

Errors and Omissions in the Balance of Payments[®]: Arise from insufficient coverage, differences in timing, scope of coverage, classification, valuation, and foreign exchange conversions of accounting during the process of compiling the Balance of Payments.

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

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

FLOW OF FUNDS, 2015

The volume of the flow of funds in the entire system continued to expand, but the growth rate declined

In 2015, the volume of the flow of funds in the entire system registered RMB59.17 trillion, increasing by 6.5 percent or RMB3.59 trillion from the previous year (the growth rate in 2014 registered 7.5 percent). The ratio of the total volume of the flow of funds in the entire society against the GDP in 2015



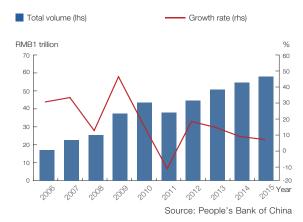
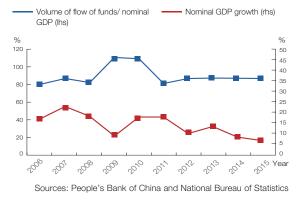


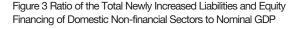
Figure 2 Ratio of the Volume of the Flow of Funds to GDP and Nominal GDP Growth

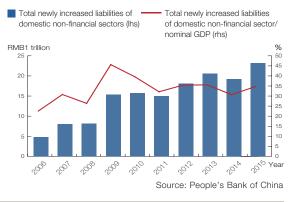


was 87.4 percent, about the same level as that in 2014 (Figure 1, 2).

The incremental liability and equity financing of domestic non-financial sectors increased, with the share of government sectors expanding significantly and the share of non-financial corporate and households declining

In 2015, newly increased liabilities and equity financing of domestic non-financial sectors (including households, non-financial corporations and the general government, the same thereinafter) registered¹ RMB23.68 trillion, a historical record and RMB4.29 trillion higher than that of the previous year. The ratio of total volume of newly increased liabilities and equity financing of domestic non-financial sectors to the nominal GDP was 35 percent, which was 4.5 percentage points higher than that of the previous year (Figure 3).





1. Newly increased liabilities and equity financing of the domestic non-financial sector include new loans, bond financing, equity financing, undiscounted bankers' acceptances, insurance reserves, external liabilities, etc., in which equity financing includes accountable equity financing.

In terms of sectors, the total volume of incremental liabilities by households, nonfinancial corporations, and government sectors were all higher than those in 2014. Affected by the debt-for-bond swap of the regional government, the liability of the government sectors expanded dramatically. During the year, the newly increased liabilities and equity financing by households, non-financial corporations, and government sectors were RMB4.15 trillion, RMB14.09 trillion and RMB5.44 trillion, up by RMB324.8 billion, RMB477.7 billion and RMB3.49 trillion year on year, accounting for 17.5 percent, 59.5 percent, and 23 percent of the total

Table 1 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Sector, 2015

	New	YoY	
	Increase	Change	YoY
	(RMB100	(RMB100	Growth
	million)	million)	(%)
Total	236 803	42 916	22.1
Households	41 497	3 248	8.5
Non-financial Corporations	140 913	4 777	3.5
General Government	54 393	34 891	178.9

Source: People's Bank of China

Table 2 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by the Financing Structure, 2015

,			
	New Increase (RMB100 million)	YoY Change (RMB100 million)	YoY Growth (%)
Total	236 803	42 916	22.1
of which:			
Loans	124 364	-10 913	-8.1
Undisclosed Bankers Acceptances	-10 569	-9 370	782.0
Insurance Reserves	7 025	265	3.9
Bonds	76 592	40 459	112.0
of which: Corporate Bonds	29 340	5 011	20.6
Treasury Bonds	47 252	35 448	300.3
Equity	7 757	746	10.6
Foreign Liabilities	11 375	-7 072	-38.3
	Sourc	ces: People's B	ank of China

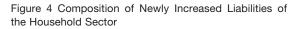
volume of the newly increased liabilities and equity financing by domestic non-financial sectors, respectively. In particular, the share of households and non-financial corporations decreased by 2.2 percentage points and 10.7 percentage points, respectively, Whereas that of the government sectors increased by 12.9 percentage points (Table 1).

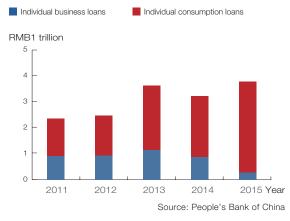
In terms of financial instruments, financing through treasury bonds and corporate bonds increased substantially, financing through equities increased, financing through undiscounted bankers' acceptances witnessed a net decrease, loans and external liabilities contracted compared with the previous year. In 2015, newly increased financing by domestic non-financial sectors through bonds, insurance reserves and equities increased by RMB7.66 trillion, RMB702.5 billion and RMB775.7 billion, up by 112 percent, 3.9 percent and 10.6 percent year on year, respectively. Newly increased bankers' acceptances declined by RMB1.06 trillion, RMB937 billion more than the decrease in 2014. Newly increase liabilities in terms of loans² and external liabilities (foreign direct investments and other external liabilities, the same thereinafter) went up by RMB12.44 trillion and RMB1.14 trillion, lower than those of the previous year by 8.1 percent and 38.3 percent, respectively. In terms of proportions, the proportion of treasury bonds (20 percent) increased by 13.9 percentage points year on year, while the proportion of loans (52.5 percent), undiscounted bankers' acceptances (-4.5 percent), insurance

Statistics of loans are processed according to a broad definition, including general loans, entrusted loans, trust loans, wealth management loans, and loans by micro-credit companies and credit companies, etc., (the same thereinafter). reserves (3 percent), corporate bonds (12.4 percent), equity (3.3 percent) and external liabilities (4.8 percent) declined by 17.3 percentage point, 3.8 percentage points, 0.5 percentage point, 0.2 percentage point, 0.3 percentage point and 4.7 percentage points year on year, respectively (Table 2).

Demand for financing by the household sector strengthened, and the growth of newly increased financial assets went up significantly

In 2015, the newly increased liabilities by the household sector registered RMB4.15 trillion, which was RMB324.8 billion larger than that of the previous year. The main driver was stronger housing demand by households. During the year, total sales of marketable residential real estate registered RMB7.3 trillion, increased by 16.6 percent year on year, which was 24.4 percentage points higher than that in 2014. Incremental individual consumption loans (including





housing loans) increased by RMB3.59 trillion, RMB1.19 trillion more than that in 2014 (Figure 4).

Newly increased financial assets of the household sector expanded notably. In 2015, holdings of financial assets by the household sector increased RMB12.27 trillion, RMB3.37 trillion or 37.8 percent more than that of 2014. In terms the composition of the assets, the household sector adjusted the structure of its holdings as the stock market rose and the wealth management market became livelier, which was reflected in a lower proportion of deposits and a higher share of equities and wealth management assets. During the year, newly increased household deposits³ reached RMB4.68 trillion, RMB203 billion more than that in 2014 accounting for 38.2 percent of the total newly increased financial assets held by the household sector, down by 12.2 percentage points from 2014. Newly increased equity assets⁴ amounted to RMB1.64 trillion, which was RMB928.3 billion more than that in 2014 and they accounted for 13.3 percent of the total, 5.4 percentage points more than that in 2014. Newly increased other assets including wealth management assets registered RMB3.8 trillion, which was RMB1.65 trillion more than that in 2014 and they accounted for 31 percent of the total, 6.8 percentage points more than that in 2014 (Figure 5).

^{3.} The statistics of deposits are processed according to a broad definition, including all deposits in domestic and foreign currencies as well as entrusted deposits in the Summary of Sources and Uses of Credit Funds of Financial Institutions (the same hereafter).

^{4.} Equity-related assets include equity financing, securities investment funds, and the margins of securities companies' clients (the same hereafter).

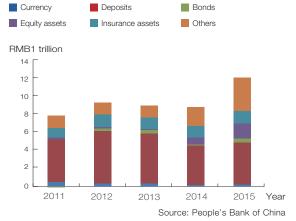
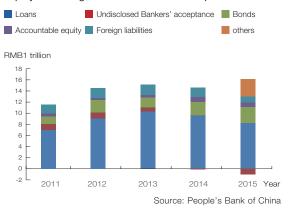


Figure 5 Composition of Newly Increased Financial Assets in the Household Sector

The amount of newly increased financial assets in the non-financial corporate sector was large compared with the amount in 2014, and the financing gap was shrinking

In 2015, newly increased liabilities and equity financing in non-financial corporate sector registered RMB14.09 trillion, RMB477.7 billion or 3.5 percent more than that in 2014. To be specific, newly increased loans registered RMB8.29 trillion, RMB1.42 trillion less than that in 2014 and they accounted for 58.8% percent of the newly increased liabilities and equity financing by the non-financial corporate sector, which was 12.5 percentage points lower than that in 2014. Incremental corporate bond financing registered RMB2.93 trillion, RMB501.1 billion more than that in the previous year and accounted for 20.8 percent of the total, up by 3 percentage points from that in 2014. Equity financing reached RMB775.5 billion, RMB74.6 billion more than that in the previous year and accounted for 5.5 percent of the total, increase of 0.4 percentage point. Newly increased liabilities in the form of undiscounted bankers' acceptances

Figure 6 Composition of Newly Increased Liabilities and Equity Financing in the Non-financial Corporate Sector



decreased by RMB1.06 trillion, which were RMB937.1 billion less than that in 2014, and they accounted for -7.5 percent of the total, down by 6.6 percentage points year on year. Newly increased foreign liabilities registered RMB1.13 trillion, RMB620.7 billion less than that in 2014 and they accounted for 8 percent of the total, down by 4.8 percentage points (Figure 6).

Newly increased financial assets held by the non-financial corporate sector reached RMB13.01 trillion, RMB5.23 trillion or 67.2 percent more than that in 2014. Specifically, deposits increased by RMB6.7 trillion, RMB2.4 trillion more than that in the previous year and they accounted for 51.5 percent of the total newly increased financial assets held by the non-financial corporate sector, down by 3.7 percentage points compared with that in 2014.

The financing gap in the non-financial corporate sector reached RMB1.08 trillion, RMB4.75 trillion less than that in 2014. The reason is that non-financial corporations were less willing to expand production and investments (fixed-asset investments

Figure 7 Financing Gap of the Non-Financial Corporate Sector and the Nominal Growth of the Total Social Fixed-Asset Investments



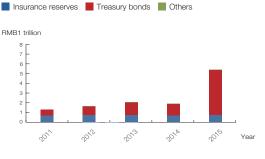
Sources: People's Bank of China and WIND

increased by 10 percent in nominal terms in 2015, 5.7 percentage points less than that in 2014), leading to reduced financing needs (Figure 7).

The government sector registered relatively abundant general funds

In 2015, affected by the debt-for-bond swap, the government sector (including central and local governments, governmental agencies and organizations, administrative units, and social security funds, the same hereafter) recorded a high newly increased liabilities equalling RMB5.44 trillion, RMB3.49 trillion or 178.9 percent more than that in the previous year. More specifically, newly

Figure 8 Composition of Newly Increased Major Liabilities in the Government Sector



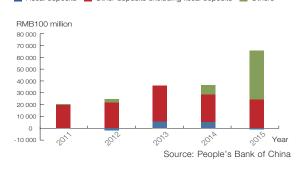
Source: People's Bank of China

increased liabilities in the form of treasury bonds and insurance reserves totaled RMB4.73 trillion and RMB702.5 billion, RMB3.54 trillion and RMB26.5 billion more than that in 2014 and accounting for 86.9 percent and 12.9 percent of the total, which experienced a rise of 26.3 percentage points and a decline of 21.7 percentage points, respectively, compared with 2014 (Figure 8).

Newly increased financial assets held by the government sector were RMB6.59 trillion, RMB2.91 trillion more than that in the previous year. Specifically, newly increased deposits registered RMB2.4 trillion, RMB503 billion less than that in 2014. Other incremental assets reached RMB4.19 trillion, which was RMB3.41 trillion more than that in 2014 (Figure 9).

Despite the fiscal deficit of RMB2.4 trillion in 2015, after netting the government revenues and expenditures, the overall net fund surplus reached RMB1.15 trillion (the net fund surplus equals to newly increased financial assets less the newly increased financial liabilities). This reveals an abundance of funds within the general government sector.





Growth of incremental equity financing and liabilities of financial institutions slowed down

In 2015, the newly increased liabilities and the equity financing of financial institutions (including the central bank, depository institutions, insurance companies, securities investment funds, and other financial institutions, the same hereafter) reached RMB35.22 trillion, a year on year increase of RMB2.16 trillion or 6.5 percent higher than that in the previous year, with the growth rate 8.9 percentage points higher than that in 2014.

The newly increased financial assets totaled RMB29.1 trillion, down by RMB4.3 trillion or 13 percent year on year. Specifically, the newly increased loans reached RMB14.47 trillion, accounting for 49.6 percent of the total incremental financial assets of financial institutions and up by 7.1 percentage points from the previous year. Newly increased bond assets reached RMB10.78 trillion, or 37 percent of the total, an increase of 21.3 percentage points compared with that in previous year. The newly increased reserve deposits dropped by RMB1.75 trillion, constituting -6 percent of the newly increased financial assets and indicating a decline of 12.3 percentage points. The newly increased non-discounted bankers' acceptances decreased by RMB1.06 trillion, constituting -3.6 percent of the total, a decrease of 3.3 percentage points year on year. The newly increased foreign financial assets dropped by RMB2.34 trillion, accounting for -8 percent of the total, down by 10.3 percentage points compared with that in previous year.

The volume of domestic funds utilized by the foreign sector expanded

Newly increased foreign financial assets held by China (Chinese funds used by the rest of the world) reached RMB264.5 billion. Financing through loans and equities in external fund transactions (the domestic use of foreign funds) dropped by RMB1.8 trillion. However, China's external net financial asset formation (the external net financial asset formation equals the newly increased foreign financial assets held by China minus the newly increased external financial liabilities) was RMB2.06 trillion, up by RMB718.6 billion year on year, demonstrating an increase in Chinese funds used by the foreign sector.

JANUARY

- The daily business hour of the 4 Jan. trading system on the interbank foreign exchange (FX) market were extended to 23:30 (Beijing time). Besides, subject 22 Jan. to application to the China Foreign Exchange Trade System (CFETS) for membership in the interbank FX market, eligible overseas banks participating in RMB purchases and sales can gain access to the interbank FX market and trade all listed products via the CFETS trading system. This move further diversified the participants on the interbank FX market, expanded the trading channels for domestic and overseas market entities, and contributed to a convergence of off-shore and onshore RMB exchange rates.
- 7 Jan. The PBC 2016 Work Conference was held in Beijing. Fully in line with the requirements of the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China (CPC) and the Central Economic Work Conference, the PBC summarized its work in 2015, analyzed current economic and financial 26 Jan. developments, and laid out its work for 2016.

Zhou Xiaochuan, governor of the PBC, attended the All Governors Meeting 11 Jan. of the Bank for International Settlements (BIS) in Basel, Switzerland. The meeting mainly discussed the exchange rate

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transmission risk, liquidity in the fixedincome market, sovereign debt risks, and implementation of monetary policy.

- The second batch of overseas central 12 Jan. banks or similar institutions gained access to China's interbank FX market after filing with the CFETS.
 - The PBC published the Notice on Expanding the Pilot of Macro-Prudential Management for a Full-Spectrum of Cross-Border Financing, according to which the pilot program was expanded to 27 financial institutions and enterprises registered in the Shanghai, Tianjin, Guangdong, and Fujian Free Trade Zones, beginning from January 25, 2016.
- 25 Jan. The PBC applied a normal reserve requirement ratio (RRR) to RMB deposits by overseas RMB business participating banks in domestic correspondent banks, namely, the current RRR for domestic correspondent banks, so as to prevent macro financial risks and to promote stable and sound operations of financial institutions.

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The Group of Twenty (G20) Green Finance Study Group (GFSG) was established and convened its first meeting in Beijing, which was presided over by the PBC and the Bank of England (BOE), co-chairs of the study group. Chen Yulu, deputy governor of the PBC, addressed the meeting. The meeting mainly discussed the objectives and work program of the study group and clarified its term of reference.

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29 Jan.

The International Monetary Fund (IMF) 26 Jan. announced the entry into effect of the 2010 IMF guota and the governance reform, which completed the quota increase under the 14th General Review of Quotas. China's quota share increased from 3.996 percent to 6.394 percent and its voting share increased from 3.81 percent to over 6.07 percent, with its rankings both up by three places, from sixth to third, after the US and Japan.

The G20 Framework Working Group on Strong, Sustainable and Balanced 28 Jan. Growth held its first meeting under China's G20 presidency in Beijing. Yi Gang, deputy governor of the PBC, attended the meeting. The meeting reached a preliminary agreement on the 2016 agenda of the working group, and discussed global economic developments and policy responses to short-term risks, structural reform priority areas, general principles and indicators, trade and investment, and growth strategies.

> Yin Yong, then assistant governor of the PBC, attended the Emerging Markets Deputy Governors Meeting of the BIS in Basel, Switzerland. The meeting mainly discussed, among other things, inflation and monetary policy.

FEBRUARY

2 Feb. The PBC and the CBRC jointly issued the Notice on Adjusting Policies •

on Personal Mortgage Loans, which lowered the minimum down payment for personal mortgage loans in cities with no restrictions on housing purchases. This move was aimed to further improve policies on personal mortgage loans to support residents' reasonable housing consumption.

4 Feb.

The PBC published the Guidelines for Banking Financial Institutions on Anti-Counterfeiting Currency, clearly spelling out the mandate of banking financial institutions to oppose anti-counterfeiting currency and standardize their anticounterfeiting currency work to give them more guidance to create an enabling environment for anti-counterfeiting efforts by banking financial institutions.

6 Feb.

The PBC published the Administrative Measures for Over-the-Counter Business on the National Interbank Bond Market. which further diversified over-the-counter business on the interbank bond market, expanded the business scope of banks offering over-the-counter business, and regulated transactions, custody, and settlements of over-the-counter bonds.

Approved by the State Council, the 15 Feb. PBC and other relevant departments jointly issued the Several Opinions on Providing Financial Support to the Industry in its Effort to Stabilize Growth, Adjust Structure and Increase Efficiency in a bid to promote industrial transformation and upgrading by beefing up financial support for the industrial supply-side reform and its effort to stabilize growth, adjust structure and increase efficiency.

CHRONICLE OF THE PEOPLE'S BANK OF CHINA, 2016

CHRONICLE

17 Feb. The PBC and other relevant departments jointly published the Notice on Improving the Formation of Interest Rate on Deposits in Workers' Housing Provident Fund Accounts, which stipulated that the current demand deposit rate and 3-month benchmark deposit rate applied to deposits in workers' housing provident fund accounts should be replaced by a oneyear benchmark deposit rate, effective from February 21.

The PBC decided to officially 18 Feb. introduce daily open market operations (OMOs), effective immediately. In principle, it will conduct OMOs every business day based on the needs of monetary policy management.

The PBC issued a circular in a move 24 Feb. to give more eligible overseas institutional investors access to the interbank bond market, remove investment guotas, and streamline administrative procedures.

> The second meeting of the G20 International Financial Architecture Working Group (IFA WG) was held in Shanghai. Yi Gang, deputy governor of the PBC, attended the meeting. The meeting discussed the monitoring and the response to capital flow volatility, the IMF guota and governance reform, improvements in the global financial safety net, sovereign debt restructuring, and broader use of Special Drawing Rights (SDR).

The PBC assessed financial institutions 25 Feb. with targeted RRR cuts to judge their role in providing support for agriculture, rural areas and farmers, as well as for small and micro businesses in 2015. The RRR for these financial institutions was then adjusted in a dynamic manner, based on assessment results.

The first G20 Finance Ministers and Central Bank Governors Meeting in 2016 27 Feb. was held in Shanghai. The meeting was co-chaired by Zhou Xiaochuan, governor of the PBC, and Lou Jiwei, minister of the Ministry of Finance (MOF). The ministers and governors discussed issues related to the global economy, the growth framework, investment, and infrastructure, the international financial architecture, financial sector reform, international taxes, green finance, and climate finance.

Zhou Xiaochuan, governor of the PBC, attended the All Governors' Meeting of 29 Feb. the BIS, held in Shanghai which mainly discussed self-assessments of the central bank policy performance, block chain technology, distributed ledger technology, and digital innovations.

MARCH

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The PBC cut the RRR for RMB 1 Mar. deposits at financial institutions by 0.5 percentage point in a bid to keep liquidity in the financial system at a reasonable and adequate level.

The first meeting and first workshop of the Global Partnership for Financial 3 Mar. Inclusion (GPFI) were held in Shanghai. Yi Gang, deputy governor of the PBC, and Tu Guangshao, executive vice mayor of Shanghai, attended the meeting. Participants discussed issues such as digital financial inclusion, financial inclusion indicators and data, SME financing, consumer financial protection and education, development of regulations and standards, and market and payment systems.

The PBC published the Administrative 4 Mar. Rules for Information Management of Financial Institutions to regulate and strengthen information management of financial institutions. The move was aimed at ensuring the authenticity, accuracy, and integrity of information at financial institutions, to promote the connectivity of their information management systems, and to improve the efficiency of information-sharing.

> The PBC and relevant departments jointly issued the Guidelines for Accelerating the Development of Pension Services through Financial Support to promote the development of elderly care by vigorously promoting innovations of financial institutions, products, and services, and improving financial services for the elderly.

The PBC renewed the bilateral local 7 Mar. currency swap agreement with the Monetary Authority of Singapore (MAS). The size of the renewed agreement is RMB300 billion/SGD64 billion.

- The National Development and 14 Mar. Reform Commission (NDRC) and the PBC jointly published the Notice on Improving the Mechanism for Determining Bankcard Swipe Fees to improve the pricing mechanism for bankcard swipe fees. The move will substantially reduce the overall level of bankcard swipe fees, which will help promote a sustainable and sound bankcard industry.
- The PBC and relevant departments 16 Mar. jointly issued the Provisional Measures for the Pilot Program of Lending against the

Operational Right of Rural Contracted Land and the Provisional Measures for the Pilot Program of Lending against Property Right of Farmer's Housing, which clarified policy requirements for financial institutions, pilot areas and departments concerned in promoting lending against these two types of rights from several dimensions, including loan applicants, loan management, risk compensation, supporting measures, and the monitoring and assessment of pilot programs.

The PBC, working in tandem with 21 Mar. other relevant departments, issued the Opinions on Promoting Poverty Alleviation by Providing Financial Services, putting forward 22 detailed implementation measures from six aspects by closely following the basic strategy of taking targeted measures to reduce poverty and lift people out of it. The document also clarified the overall requirements, objectives, and priorities of providing financial support for getting rid of poverty under new circumstances.

Zhou Xiaochuan, Governor of the PBC, joined discussions during a session 25 Mar. entitled G20 in Transition: Global Vision, China Plan when attending the Boao Forum For Asia Annual Conference 2016, and delivered a keynote speech.

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The PBC issued the Funding Plan 24 Mar. for Poverty Alleviation by Relocation, which clearly spelt out the objectives, guidelines, principles, and concrete measures for raising funds for poverty alleviation by relocation.

Approved by the State Council, the 25 Mar. PBC and the CBRC jointly issued the Guidelines for Strengthening Financial Support for New Types of Consumption, which clarified innovations in financial support and in ways of providing services. The move was aimed at boosting consumer finance and better meeting the financial needs of priority areas for new types of consumption so as to allow new consumption to play a leading role in economic development.

> The PBC published the Work Plan for Providing Conveniences to Grassroots Life and Entrepreneurship by Streamlining and Optimizing Public Services, which clarified the principles, tasks, and requirements for administrative approvals and license application processing as well as other public services closely related to people's daily life, innovation, and entrepreneurship.

The PBC issued the Notice on 28 Mar. Providing Central Banking Lending for Poverty Alleviation to offer central bank lending for poverty alleviation, which exclusively targets locally incorporated financial institutions in poverty-stricken areas to increase the supply of agricultural credit. The move was aimed at lowering financing costs in poverty-stricken areas and providing solid financial support to win the fight against poverty.

> The Monetary Policy Committee (MPC) of the PBC held its first quarterly meeting of 2016 in Beijing.

The G20 High-Level Seminar on 31 Mar. International Financial Architecture was held in Paris, France, co-hosted by the PBC, the French Ministry for the Economy and Finance, and the Banque de France. Zhou Xiaochuan, governor of the PBC, attended the seminar.

Participants had an in-depth exchange of ideas on issues such as capital flows, sovereign debt restructuring and debt sustainability, the global financial safety net, and the role of the SDR, stressing that the strengthening of the international monetary system plays an important role in promoting global economic growth and financial stability.

APRIL

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Yin Yong, then assistant governor of the PBC, headed a delegation to 3 Apr. Vientiane of Laos, for the Association of Southeast Asian Nations (ASEAN)+3 Finance and Central Bank Deputies Meeting, and exchanged ideas on regional financial cooperation as well as macroeconomic and financial developments.

The PBC and the MOF jointly issued the 6 Apr. Notice on Designating 2016 Pilot Areas for Cash Management by Local Fiscal Agents, announcing the pilot areas for 2016, which was a larger scale of pilot areas than in previous year, including fifteen provinces (regions or municipalities) such as Tianjin.

Zhou Xiaochuan, governor of the PBC, attended the 57th Annual Meeting 10 Apr. of the Board of Governors of the Inter-American Development Bank (IDB) held in Nassau, the Bahamas. During the meeting, Governor Zhou met with Moreno, president of the IDB, and witnessed the memorandum of cooperation signed by the China-LAC Industrial Cooperation Investment Fund with the IDB and the Inter-American Investment Corporation (IIC).

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The PBC issued the Opinions on Properly 12 Apr. Implementing Credit Policy in 2016, requiring the PBC branches and banking financial institutions to fully tap the enabling role of credit policy in the supply-side structural reform by focusing on five major tasks, including reducing excess capacity, destocking, deleveraging, lowering costs, and shoring up weak spots.

The PBC and other relevant departments 13 Apr. jointly issued the Work Plan for Clearing up Risks in Non-Bank Payment Institutions as part of a move to prevent payment risks and to promote a market for healthy payment services.

The PBC and other relevant departments 14 Apr. jointly issued the Work Plan for Clearing up Risks from Internet-Based Assess Management Activities and Cross-Sector Financial Services in an attempt to protect the investors' legal rights and interests.

> The PBC issued a Notice on Properly Handling Financing and Credit Management for Poverty Alleviation by Relocation in 2016, which clarified issues pertaining to this work. The move was aimed at fully supporting poverty alleviation by relocation by making sure that special bonds for poverty alleviation could be issued as planned and funds raised could be used as intended.

14 17 Apr.

PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the 2016 Spring Meetings of the IMF and the World Bank Group, the G20 Finance Ministers and Central Bank Governors Meeting, and the BRICS Finance Minister and Central Bank Governors Meeting in Washington D.C., the United

States. Major issues discussed at these meetings included global economic and financial developments, IMF reform, growth strategies, international financial architecture, financial sector reform, green finance, and climate finance.

The PBC and other relevant 17 Apr.

departments issued the Opinions on Supporting the Iron and Coal Industries in their Effort to Rid Difficulties by Reducing Excess Capacity, in an attempt to guide financial institutions to meet the well-grounded financing needs of iron and coal companies while strictly controlling the credit supply for illegal new capacities, based on the principle of case-by-case treatment, which supports some and restricts others. The move also aims to support debt restructuring as well as mergers and acquisitions, to promote structural adjustments and optimization of these industries, to help banks expedite the disposal of nonperforming assets, and to handle credit default events in line with the laws.

Yin Yong, then assistant governor of the PBC, attended the 50th Deputies' 22 Apr. Meeting of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and the 19th meeting of the Monetary and Financial Stability Committee (MFSC)

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in Sydney, Australia. The meeting mainly discussed such issues such as global and regional macroeconomic developments, and the strengthening of the central bank communications with the market.

The PBC published a document 27 Apr. requiring that further improvement should be made for the entry of gualified institutional investors into the interbank bond market, and it released some relevant detailed implementation measures. It clarified the eligibility criteria for institutional investors, expanded the scope of investors, optimized the filing, account opening and networking procedures, clearly spelt out inspection of some activities in line with the laws, and stressed the responsibility of intermediaries and self-regulatory agencies in monitoring and exercising self-discipline.

The PBC issued the Notice on 29 Apr. Introducing Nationwide Macro-Prudential Management of a Full-Spectrum of Cross-Border Financing, deciding to conduct macro-prudential management of a full-spectrum of cross-border financing including both local and foreign currencies, throughout China, effective May 3, 2016. The PBC and the State Administration of Foreign Exchange (SAFE) will not conduct ex-ante foreign debt approval. Instead, financial institutions and enterprises can engage in local and foreign currency cross-border financing on their own, subject to a ceiling based on their capital or net assets.

MAY

The PBC and the CBRC jointly 7 May released the Administrative Measures for Bankcard Clearing Institutions in an effort to implement the State Council Decision on Access Management of Bankcard Clearing Institutions. The move is aimed at opening a bankcard clearing market in an orderly and law-based manner, regulating bankcard clearing institutions, and promoting a sound bankcard clearing market.

Yi Gang, deputy governor of the 8 PBC, attended the All Governors 9 May Meeting of the BIS and the meeting of the Committee on the Global Financial System in Basel, Switzerland. The meetings discussed major issues such as the response to global inflation (deflation), resolution of sovereign risk exposure, and changes in foreign exchange market intervention.

- Yi Gang, deputy governor of the PBC, 10 May attended the High-Level Seminar on the International Monetary System co-hosted by the Swiss National Bank and the IMF in Zurich, Switzerland, and he delivered a speech on policies to support currency internationalization.
- The PBC and the Bank Al-Maghrib 11 May (the central bank of Morocco) signed a bilateral local currency swap agreement. The size of the swap facility is RMB10 billion/MAD 15 billion.

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- Yi Gang, deputy governor of the PBC, attended the 25th Annual Meeting of the 12 May European Bank for Reconstruction and Development (EBRD) in London, this was the first time that China attended the meetings since it joined the bank. During the meetings, Deputy Governor Yi Gang met with Sir Suma Chakrabarti, president of the EBRD, and Jeroen Dijsselbloem, minister of finance of the Netherlands and President of the Eurogroup, and they exchanged ideas on issues such as deepening cooperation in the future.
- Pan Gongsheng, deputy governor of 18 May the PBC, attended the first Belt and Road Summit, hosted by the government of the Hong Kong Special Administrative Region

in Hong Kong. The summit focused on 27 May issues such as new opportunities for the Belt and Road Initiative, regional economic cooperation under the new circumstances, and a closer partnership between Hong Kong and ASEAN.

18 19 May

Chen Yulu, deputy governor of the PBC, attended the 46th Annual Meeting of the Board of Governors of the Caribbean Development Bank (CDB) in Montego Bay, Jamaica. The meeting held in-depth discussions on promoting the development of small and medium-sized enterprises (SMEs) in the Caribbean, improving the private-sector investment environment, and accelerating economic transformation.

24 25 May

Guo Qingping, then deputy governor of the PBC, attended the Second Seminar of the G20 GPFI in Xi'an. Participants discussed issues such as digital finance, consumer protection and literacy, behavioral economics and financial consumer protection, market conduct supervision and prudential supervision, alternative dispute resolution, and the effectiveness of evaluations of financial the literacy program.

24 26 May

Zhang Xiaohui, assistant governor of the PBC, attended the 51st Annual Meetings of the African Development Bank (AfDB) in Lusaka, Zambia, and met with Adesina, president of the AfDB, Tadesse, president of the PTA Bank, and Kalyalya, governor of the Bank of Zambia to exchange ideas on bilateral cooperation.

The PBC and other relevant departments issued the Guiding Opinions on Strengthening Information Connectivity and Sharing Targeted Poverty Alleviation through Financial Services, in an attempt to promote the connectivity and sharing of information on poverty alleviation through financial services and basic information on poverty alleviation so as to establish a stronger foundation for targeted poverty alleviation through financial services.

JUNE

2

Zhou Xiaochuan, governor of the PBC, was invited to attend and make 4 Jun. remarks at the 75th Plenary Meeting of the Group of Thirty (G30) in Singapore. The meeting discussed issues such as the global economic outlook, leveraging and shadow banking, and FinTech companies.

The PBC lowered the threshold for 3 Jun. individual investors to subscribe to largevalue certificates of deposit (CDs) from no less than RMB300 000 to RMB200 000 in an attempt to develop large-value CDs, expand investment channels for personal financial assets, and enhance the capacity of commercial banks for active liabilities.

6 7 Jun.

The Eighth Round of the China-US Strategic and Economic Dialogue (S&ED) was held in Beijing, co-chaired by Wang Yang, vice premier of China, and Jacob Lew, secretary of the US Treasury. Zhou Xiaochuan, governor of the PBC, attended the dialogue and discussed strategic issues such as Sino-US cooperation in the international financial architecture. The dialogue concluded with seventy-three results.

Guo Qingping, then deputy governor 6 of the PBC, attended the 24th Plenary 10 Jun. Meeting of the Eurasian Group (EAG) on Combating Money Laundering and the Financing of Terrorism, and the meetings of the Working Group in Astana, Republic of Kazakhstan. Participants discussed issues such as EAG internal governance, treaty signing, agreement amendments, new member, country risk assessments, and the fresh round of mutual assessments.

- The PBC and the US Federal Reserve 7 Jun. signed a memorandum of cooperation on establishing RMB clearing arrangements in the US, and the US was granted a RMB250 billion investment quota under the RMB qualified foreign institutional investors (RQFIIs) scheme.
- The PBC published the Detailed Rules 12 Jun. of the People's Bank of China on the Administration of Central-Bank Lending for Poverty Alleviation to regulate central bank lending for poverty alleviation and to improve policy effectiveness in terms of supporting targeted poverty alleviation.

Yi Gang, deputy governor of the 13 Jun. PBC, attended the 4th Sino-German Intergovernmental Consultation in Beijing, accompanied by Chinese Premier Li Keqiang.

Authorized by the PBC, the CFETS 17 Jun. announced direct trading between the Chinese renminbi and the South African rand on the interbank FX market.

> The PBC and the National Bank of Serbia signed a three-year bilateral local currency swap agreement. The size of the swap facility is RMB1.5 billion/RSD27 billion.

Li Kegiang, member of the Standing 20 Jun. Committee of the Political Bureau of the CPC Central Committee and premier of the State Council, inspected the China Construction Bank and the PBC, after which he chaired a discussion meeting.

22

The G20 Finance and Central Bank Deputies Meeting was held in Xiamen, 23 Jun. Fujian Province. The meeting was cochaired by Yi Gang, deputy governor of the PBC, and Zhu Guangyao, China's vice finance Minister. The meeting discussed such issues as the global economy, the growth framework, for investment and infrastructure, the international financial architecture. financial sector reform, international tax cooperation, green finance, and climate finance.

24 Jun. Authorized by the PBC, the CFETS announced direct trading between the Chinese renminbi and the South Korean won on the interbank FX market.

The PBC and the Central Bank of the Russian Federation (Bank of Russia) signed in Beijing a Memorandum of Understanding between the People's Bank of China and the Central Bank of the Russian Federation (Bank of Russia) on Preventing Money Laundering and the Financing of Terrorism, covering regulatory cooperation on anti-money laundering (AML), information exchanges, on-site inspection arrangements, personnel exchanges and training, and so on. The signing of the memorandum is a significant move for both sides to apply international standards to AML, to combate the financing of terrorism, and to strengthen AML regulatory exchanges and cooperation.

A self-regulatory mechanism for the national FX market was established, which will help maintain orderly and sound FX market development and will shift FX market discipline from external regulation to an equal emphasis on external regulation and self-discipline.

Zhou Xiaochuan, governor of the PBC, delivered a lecture, entitled "Managing Multi-Objective Monetary Policy: From the Perspective of the Transitioning of the Chinese Economy." at the Michel Camdessus Central Banking Lecture hosted by the IMF in Washington D.C., following the lecture, there was a discussion on policy issues with IMF Managing Director Christine Lagarde.

25 Jun.

The PBC and the Central Bank of the Russian Federation (Bank of Russia) signed a memorandum of cooperation on establishing RMB clearing arrangements in Russia.

Zhou Xiaochuan, governor of the PBC, attended the 86th BIS 26 Jun. Shareholders' Meeting and the All Governor Meeting in Basel, Switzerland. The meeting mainly discussed issues such as challenges posed by the commodity price drop in the African countries, digital innovation by international organizations, and guidance on cyber resilience for financial market infrastructures.

The PBC published the Notice on 29 Jun. the Test-Run of the Information System for Targeted Poverty Alleviation through Financial Services to introduce the information system nationwide. The move aims to promote work on targeted poverty alleviation through financial services by precisely collecting and dynamically monitoring information.

JULY

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- The MPC of the PBC held its second 1 Jul. quarterly meeting of 2016 in Beijing.
- The Bank of China (Hong Kong) 11 Jul. Ltd. became a direct participant in the RMB Cross-Border Interbank Payment System (CIPS), the first overseas direct participant. On the same day, the China CITIC Bank, the Bank of Shanghai, the China Guangfa Bank, the Bank of Jiangsu, the Bank of Tokyo-Mitsubishi UFJ (China), Ltd., the Mizuho Bank (China), Ltd., and the Hang Seng Bank (China), Ltd., were all allowed direct access to the system as direct participants.

12 13 Jul.

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Zhang Tao, then deputy governor of the PBC, accompanied Premier Li Kegiang of China to the 18th China-EU Summit held in Beijing.

The PBC decided to further reform 15 Jul. the assessment of required reserves by replacing the end-of-quarter outstanding deposits with the quarterly average outstanding deposits in the calculation of the required reserves for RMB deposits. This new methodology also applies to RMB deposits in domestic corresponding banks by overseas RMB business participating banks that follow the quarterly reserve requirement, that is, the basis for assessing the required reserves is the average of end-of-day outstanding RMB deposits of the previous quarter.

A plenary meeting of the GPFI was held in Chengdu. Guo Qingping, then 20 Jul. deputy governor of the PBC, and Wang Minghui, vice governor of Sichuan Province, addressed the meeting. During the meeting, participants discussed digital financial inclusion, financial inclusion indicators, SME financing, and other issues and they reviewed the 2016 GPFI results.

Zhou Xiaochuan, governor of the 21 Jul. PBC, attended the Financial Stability Board (FSB) Plenary Meeting in Chengdu. The meeting discussed financial market developments after the Brexit vote, but it focused on papers on important results submitted to the meeting, including the annual report on the implementation and effects of the financial reforms and the report on elements of an effective macro-prudential policy framework.

The PBC, the MOF, and the Ministry 22 Jul. of Human Resources and Social Security jointly published the Notice on Providing Collateralized Entrepreneurship Loans to Support Entrepreneurship and Employment, to turn the collateralized micro loan policy into a collateralized entrepreneurship loan policy, which expanded the scope of loan applicants, unified credit lines, and adjusted the maturity as a move to support mass entrepreneurship and innovation.

The third G20 Finance Ministers and Central Bank Governors Meeting 24 Jul. under the Chinese presidency was held in Chengdu, co-chaired by Zhou Xiaochuan, governor of the PBC, and Lou Jiwei, minister of the MOF. The ministers and governors discussed issues related to the global economy, the growth framework, the international financial architecture, investment and infrastructure, financial sector reform, international taxes, combating financing of terrorism, green finance, and climate finance

29 Jul.

23

To carry out the important arrangements of the Third Plenary Session of the 18th CPC Central Committee and the 13th Five-Year Plan on developing financial inclusion, the PBC launched the Pilot Program on Financial Inclusion Comprehensive Demonstration Zone in Qinghai Province, which identified twenty-three tasks in seven dimensions, including deepening work on providing financial services to targeted poverty alleviation, developing green finance, promoting FinTech applications, improving basic financial services, strengthening outreach activities, and adopting a scientific approach to advancing relevant work. The move was aimed at improving financial services in Qinghai Province.

AUGUST

The Polish government issued RMB3 25 Aug. billion worth of 3-year panda bonds on China's interbank bond market.

The PBC and the SAFE issued the 30 Aug. Notice on Administration of On-Shore Portfolio Investment by RMB Qualified Foreign Institutional Investors (RQFII) in a bid to regulate the administration by RQFII's on-shore portfolio investments.

31 Aua.

The World Bank (International Bank for Reconstruction and Development) successfully issued its first tranche of SDR-denominated bonds on China's interbank bond market.

Endorsed by the 27th Meeting of the Steering Group of the CPC Central Committee on Comprehensively Deepening Reform, the Guiding Opinions on Building a Green Financial System were issued by the PBC jointly with other departments to develop green finance through innovative financial institutional arrangements. This came as a move to harness financial instruments and policies for green development, such as green credit and green bonds, and thus to promote the supply-side structural reform.

SEPTEMBER

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The 11th G20 Leaders Summit was held in Hangzhou. Chinese President Xi 5 Sep. Jinping chaired the summit and delivered important speeches. Zhou Xiaochuan, governor of the PBC, and Yi Gang, deputy governor of the PBC, also attended the event. The summit covered a number of major issues, including macroeconomic policy coordination, opening a new path for growth, global economic and financial governance, trade and investment, and inclusive and interconnected development. Important documents such as the G20 Leaders' Communique of the Hangzhou Summit and the Hangzhou Action Plan were endorsed.

Guo Qingping, then deputy governor of the PBC, attended the 19th APG Annual 8 Sep. Meeting held in San Diego, California. The meeting discussed mutual assessment reports, procedures for the new round of mutual assessments, internal governance, and technical assistance and training.

The PBC and relevant departments 6 Sep. published the Notice on a Joint Crackdown on Illegal Trading of Bankcard Information, according to which a special nationwide campaign will be launched between September 2016 and April 2017 on jointly cracking down on illegal trading of bankcard information.

7 ~ 8 Sep.

Zhou Xiaochuan, Governor of the PBC, accompanied Chinese Premier Li Keqiang to Vientiane, Lao PDR for participation in the 19th ASEAN-China (10+1) Conference and the Summit to Commemorate the 25th Anniversary of ASEAN-China Dialogue Relations, the 19th ASEAN Plus China, Japan and Republic of Korea (10+3) Summit, and the 11th East Asia Summit. After all these, they paid a state official visit to Lao PDR.

11 13 Sep.

Yi Gang, Deputy Governor of the PBC, attended the BIS All Governors' Meeting in Basel, Switzerland. The meeting covered such topics as finalizing post-crisis regulatory reforms, work of international organizations on digital innovation, and cyber risks faced by central banks. Afterwards, Deputy Governor Yi Gang traveled to Vienna, Austria for a seminar co-sponsored by the BIS and the Oesterreichische Nationalbank (OeNB), the central bank of Austria, in celebration of the 200th anniversary of the founding of the OeNB. The seminar mainly discussed the development of central bank's mandate, and the monetary policy independence and inflation target in the context of financial liberalization.

The PBC and the Magyar Nemzeti
12 Sep. Bank, the central bank of Hungary, renewed their bilateral local currency swap agreement. The size of the renewed swap facility is RMB10 billion/ HUF416 billion with a term of three years.

19 Sep. The PBC issued the Implementation Program for Building the Central Bank by Rule of Law (2016-2020), clarifying the guidelines, objectives, tasks, measures, and division of labor to comprehensively speed up the development of law-based governance of the central bank.

- 20 Sep. The PBC designated the New York City Branch of the Bank of China as the RMB clearing bank in the US.
- 21 Sep. Chen Yulu, deputy governor of the PBC, attended and addressed the Silk Road Financial Forum of the 5th China-Eurasia Expo in Urumqi. On the sidelines of the event, deputy governor Chen Yulu met with Saeed Ahmad, deputy governor of the State Bank of Pakistan, and Erdembileg Ochirkhuu, first deputy governor of the Bank of Mongolia, respectively, exchanging ideas on Sino-Pakistan and Sino-Mongolian financial cooperation.
- 23 Sep. Authorized by the PBC, the CFETS announced direct trading of the RMB with the riyal of Saudi Arabia and the dirham of the United Arab Emirates.

The PBC designated the Industrial and Commercial Bank of China (Moscow) as the RMB clearing bank in Russia.

The National Bank of Canada was given the green light to issue not more than RMB5 billion panda bonds on China's interbank bond market.

27 Sep. The PBC and the European Central Bank (ECB) signed a supplementary agreement to extend the bilateral local currency swap agreement by three years to October 8, 2019. The swap size remained unchanged at RMB350 billion/ EUR45 billion. 28 Sep.

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The MPC of the PBC held its third quarterly meeting of 2016 in Beijing.

The PBC and relevant departments jointly published the Notice on Issues Related to Accelerating Coordination and Delivery of Credit Funds for Poverty Alleviation by Relocation in 2016 to encourage financial institutions to accelerate coordination and delivery of credit funds in an attempt to facilitate smooth progress for poverty alleviation by relocation in 2016.

Zhang Xiaohui, assistant governor of the PBC, attended the 3rd Finance 30 Sep. Ministers and the Central Bank Governors Meeting of the Shanghai Cooperation Organization (SCO) in Bishkek, capital of Kyrgyzstan. Participants mainly discussed the economic growth of the SCO member states and SCO financial cooperation.

30 Sep. The PBC issued the Notice on Strengthening Administration of Payments and Settlements to Prevent New Types of Cyber Crimes in an effort to safeguard the property and legal rights and interests of the general public by protecting them from new types of cybercrimes.

> The MOF and the PBC jointly issued the Circular on the Establishment of a Supporting Mechanism for the Market-Making of Government Bonds and the Notice on Publishing the Operational Rules on Supporting the Market-Making of Government Bonds to put in place a supporting mechanism for the market-making of government bonds. Under this mechanism, the MOF will support market makers on the interbank bond market to make a

market for newly-issued government bonds of key maturities through buying and selling so as to improve liquidity in the secondary market and to further improve the yield curve of government bonds.

OCTOBER

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9 Oct.

The IMF's new SDR basket entered 1 Oct. into effect, with the RMB included as the fifth currency, along with the USD, the euro, the Japanese yen, and the British pound. The weight of the RMB in the SDR basket is 10.92 percent, and the weight of the other currencies in the basket is 41.73 percent for the USD, 30.93 percent for the euro, 8.33 percent for the Japanese yen, and 8.09 percent for the British pound. The SDR exchange rate and the interest rate will see corresponding adjustments. The RMB exchange rate and the 3-month benchmark yield for Chinese government bonds will be used to calculate the SDR exchange rate and the interest rate.

> Zhou Xiaochuan, governor of the PBC, and Yi Gang, deputy governor of the PBC, attended the IMF-World Bank Annual Meetings, and the G20 Finance Ministers and Central Bank Governors Meeting in Washington DC. The meetings focused on issues such as global economic and financial developments and risks, the international financial architecture, green finance, inclusive growth, beneficial ownership, and antimoney laundering.

- The PBC issued the Notice on 10 Oct. Promoting an Information System for Poverty Alleviation through Financial Services in a bid to guide banking financial institutions in their efforts to improve credit management systems, to collect and submit information in a timely manner, and to ensure the safety of information.
- Zhou Xiaochuan, governor of 11 Oct. the PBC, attended the 8th Tripartite Governors Meeting among the PBC, the Bank of Japan, and the Bank of Korea in Tokyo. The governors exchanged views on economic and financial developments in the three countries as well as issues of common concern.

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The 8th BRICS Summit was held in Goa, India. Chinese President Xi Jinping, 16 Oct. Indian Prime Minister Modi, South African President Zuma, Brazilian President Temer, and Russian President Putin attended the summit. PBC Governor Zhou Xiaochuan also attended. Based on the theme of Building Responsive, Inclusive, and Collective Solutions, the leaders of the five countries held indepth exchanges of views on BRICS cooperation and other international and regional issues of common concern, reaching a broad consensus. The Goa Declaration was issued after the summit.

Yi Gang, deputy governor of the PBC, 27 Oct. exchanged views on Sino-Czech bilateral financial cooperation with Czech National Bank (CNB) Governor Jiri Rusnok and Vice Governor Vladimir Tomsik when visiting the the CNB. He also attended and delivered a speech at a roundtable meeting on Sino-Czech financial cooperation.

30 Oct. 1 Nov.

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4 Nov.

Yi Gang, Deputy Governor of the PBC, attended the 36th Meeting of Central Bank Governors Club of Central Asia, the Black Sea Region, and the Balkan Countries in Jerusalem, Israel. Indepth discussions were held on issues such as global and regional economic and financial developments as well as regional financial cooperation.

NOVEMBER

The China Anti-Money Laundering 1 Nov. Monitoring and Analysis Center (CAMLMAC) and the Australian Transaction Reports and Analysis Center signed in Beijing a Memorandum of Understanding on Intelligence Exchanges on Anti-Money Laundering and Combating the Financing of Terrorism.

Zhang Xiaohui, assistant governor of the PBC, accompanied Vice Premier 4 Nov. Wang Yang to the 20th Meeting of the Committee of Regular Prime Ministers' Meetings between Chinese and Russians in Moscow, Russia.

Zhou Xiaochuan, governor of the PBC, accompanied the Premier of the 3 Nov. State Council Li Keqiang on an official visit to Kyrgyzstan and to attend the 15th Meeting of the Council of Heads of Government of the Member States of the Shanghai Cooperation Organization.

> Zhou Xiaochuan, governor of the PBC, accompanied Premier of the State Council Li Kegiang on an official visit to Kazakhstan and to attend the 3rd China-Kazakhstan Regular Prime Ministers' Meeting.

The PBC and the China Securities 4 Nov. Regulatory Commission (CSRC) jointly issued the Notice on the Connectivity of the Mainland and Hong Kong Stock Markets. The Shenzhen-Hong Kong Stock Connect was officially launched on December 5.

Zhou Xiaochuan, governor of the PBC, accompanied Premier of the State 6 Nov. Council Li Keqiang on an official visit to Latvia to attend the 5th Summit of China and Central and Eastern European Countries.

The 8th China-UK Economic and Financial Dialogue was held in London. 10 Nov. Vice Premier Ma Kai and UK Chancellor of the Exchequer Philip Hammond cochaired the dialogue. Yi Gang, deputy governor of the PBC, also attended the event. The dialogue was concluded with a total of sixty-three results. During the visit, Deputy Governor Yi Gang also attended a meeting on green finance hosted by the City of London, and the Sino-UK FinTech Collaboration Forum co-hosted by the National Internet Finance Association of China (NIFA) and the Department for International Trade UK (DIT), and they signed the Sino-China FinTech Strategic Cooperation and Regulatory Framework Agreement.

12 13 Nov.

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Zhou Xiaochuan, governor of the PBC, attended the All Governors Meeting of the BIS in Basel, Switzerland. The meeting mainly discussed governance of the payment system, retail payments, and improving resilience in the economy.

The 4th China-France of the High-Level 13 Economic and Financial Dialogue was 14 Nov. held in Paris, France. Vice Premier of the State Council, Ma Kai, and French Minister for the Economy and Finance Michel Sapin co-chaired the meeting. Yi Gang, deputy governor of the PBC, gave his remarks during the dialogue as a member of the Chinese delegation. The dialogue concluded with a total of sixty results.

Authorized by the PBC, the CFETS 14 Nov. announced direct trading of the RMB and the Canadian dollar on the interbank FX market.

Zhang Xiaohui, assistant governor of 18 the PBC, attended the 17th meeting of 19 Nov. the Financial Cooperation Subcommittee under the Committee for Regular Meetings between the Chinese and Russian prime ministers in Beijing. The meeting held in-depth discussions on issues such as forging cooperation on payments and bank cards, insurance, and financial markets, and promoting local currency settlements.

- The treasury supervision sub-system 21 Nov. under the treasury management information system (TMIS) was put into operation nationwide, and the treasury cash management sub-system under the TMIS was launched nationwide on a trial basis.
- The State Council endorsed the 24 Nov. Charter of the China Development Bank and the Charter of the Agricultural Development Bank of China.
- The State Council endorsed the 30 Nov. Charter of the Export-Import Bank of China.

DECEMBER

- 2 Dec. Approved jointly, the State Council, the PBC, and relevant departments issued the Overall Plan on Building a Pilot Zone in Taizhou of Jiangsu Province for Reforms and Innovations to Support Industrial Transformation and Upgrading with Financial Services.
- 6 Dec. The PBC and the Central Bank of Egypt signed a bilateral local currency swap agreement. The size of the swap facility is RMB18 billion/EGP47 billion, and the agreement is valid for three years.

The PBC issued the Administrative Measures for the Trading of Commercial Paper to regulate the behaviors of market players, including trading, registration, and custody, as well as clearing and settlement.

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11 Dec.

The General Administration Office of the PBC issued the *Business Development Program as the Fiscal Agent during the 13th Five-Year Plan period* to clarify the primary objectives, overall guidelines, and priorities in terms of acting as the fiscal agent during the 13th Five-Year Plan period.

8 Dec. The Shanghai Commercial Paper Exchange was founded, marking the launch of a national commercial paper trading platform. **9 Dec.** Approved by the State Council, the PBC, working with the relevant departments and the People's Government of Henan Province, issued the Overall Program of the Financial Inclusion Reform Pilot Zone in Lankao County of Henan Province.

> The PBC and relevant departments jointly published the *Opinions on Promoting a Healthy Bankcard Clearing Market* to further improve market-based mechanisms for bankcard clearing services. The move was aimed at enhancing the international competitiveness of Chinese bankcard clearing agencies, promoting a sound and sustainable bankcard clearing market, and safeguarding national financial security.

> The PBC designated the Dubai Branch of the Agricultural Bank of China as the RMB clearing bank in the United Arab Emirates.

Yin Yong, then assistant governor of the PBC, headed a delegation to the ASEAN+3 Finance and Central Bank Deputies Meeting held in Guiyang, where they exchanged views on regional financial cooperation as well as macroeconomic and financial developments.

12 Dec. Zhou Xiaochuan, governor of the PBC met with visiting Governor of the Central Bank of Tunisia Chedly Ayari, and signed a *Memorandum of Understanding on Cooperation Between the People's Bank of China and the Central Bank of Tunisia,* in an attempt to strengthen bilateral information exchanges and experiencesharing and to enhance monetary and financial cooperation between the two central banks. The PBC launched on the interbank FX market direct trading between the RMB and a number of foreign currencies, including the Hungarian forint, the Polish zloty, the Danish krone, the Swedish krona, the Norwegian krone, the Turkish lira, and the Mexican peso.

14 Dec. The PBC issued the Implementation Measures of the People's Bank of China for Protection of the Rights and Interests of Financial Consumers, to regulate the behaviors of financial institutions in providing financial products and services. This was a move to maintain fair and square market environment, to protect the legal rights and interests of financial consumers, and to promote a sound and smoothly-functioning financial market.

21 Dec. Approved by the State Council, the pilot RQFII scheme was expanded to Ireland, with an investment quota of RMB50 billion. The PBC and the Central Bank of Iceland renewed the bilateral local currency swap agreement. The swap size remained unchanged at RMB3.5 billion/ISK66 billion, and the renewed agreement is valid for three years.

23 Dec. The world's first poverty alleviation social impact bond was issued on the interbank bond market. Funds raised will be used exclusively for poverty alleviation projects in Yi'nan County, Shandong Province.

28 Dec. The MPC of the PBC held its fourth quarterly meeting of 2016 in Beijing.

29 Dec. The PBC issued Administrative Measures for Reports of Financial Institution on Large-Value and Suspicious Transactions, effective from July 1, 2017.

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2016

No.	Document Number	Title (Main Content)	Date
1	Decree [2016] No. 1	(Some regulations revised and abolished)	05.20
2	Decree [2016] No. 2	(Administrative Measures for Bankcard Clearing Institutions)	06.07
3	Decree [2016] No. 3	(Administrative Measures for Financial Institutions on Reporting Large-value and Suspicious Transactions)	12.29
4	Announcement [2016] No. 1	(Establishing foreign investment credit reporting agencies)	02.01
5	Announcement [2016] No. 2	(Administrative Measures for OTC Business in the Interbank Bond Market throughout the Country)	02.06
6	Announcement [2016] No. 3	(Issues concerning investments by foreign institutional investors in the interbank bond market)	02.24
7	Announcement [2016] No. 5	(Normative regulations and documents abolished)	03.08
8	Announcement [2016] No. 7	(Reward Methods for Reporting Non-compliance or illegal Activities with respect to Gross Settlement)	04.06
9	Announcement [2016] No. 8	(Further facilitate access of qualified institutional investors to the interbank bond market)	05.04
10	Announcement [2016] No. 9	(Issues concerning permits for imports and exports of gold and gold products)	04.28
11	Announcement [2016] No. 10	(Methods of Settlement by Letter of Credit)	05.04
12	Announcement [2016] No. 11	(Some policy documents abolished)	05.19
13	Announcement [2016] No. 12	(Some normative regulations and documents abolished)	06.02
14	Announcement [2016] No. 13	(Lowering the minimum amount of Certificates of Deposit purchased by individual investors)	06.06
15	Announcement [2016] No. 14	(Some normative regulations revised)	06.22
16	Announcement [2016] No. 17	(Decision to Renew the Authorization Certificate of Payment Services for Twenty-seven Non-Bank Payment institutions)	08. 12
17	Announcement [2016] No. 23	(Designation of the RMB clearing bank in the US)	09.20
18	Announcement [2016] No. 24	(Designation of the RMB clearing bank in Russia)	09.23
19	Announcement [2016] No. 29	(Administrative Measures for Bill Business)	12.06
20	Announcement [2016] No. 30	(Designation of the RMB clearing bank in the UAE)	12.09
21	Announcement [2016] No. 32	(Issues concerning imports and exports of gold and gold products)	12.30
22	Document [2016] No. 65	Guidelines for Accelerating the Development of Pension Services through Financial Support	03.04
23	Document [2016] No. 66	Notice on Printing and Issuing the Regulations for Financial Institution Information Management	03.04
24	Document [2016] No. 78	Notice on Printing and Issuing the Provisional Measures for the Pilot Program on Lending against the Property Rights of Farmer's Housing	03. 16
25	Document [2016] No. 79	Notice on Printing and Issuing the Provisional Measures for the Pilot Program on Lending against the Operational Rights of Rural Contracted Land	03.16
26	Document [2016] No. 84	Opinions on Promoting Poverty Alleviation by Providing Financial Support	03.21
27	Document [2016] No. 86	Notice on Establishing a Mechanism for Urgent Payments Suspension and the Rapid Freezing of Accounts Involved in New Illegal Activities through Telecommunications Networks	03.24
28	Document [2016] No. 91	Notice on Providing Central-Bank Lending for Poverty Alleviation	03.26
29	Document [2016] No. 92	Guidelines for Strengthening Financial Support for New Types of Consumption	03.25
30	Document [2016] No. 111	Notice on Issues Related to Credit Card Businesses	04. 15
31	Document [2016] No. 126	Notice on Reinforcing Supervision of Bill Business and Promoting the Healthy Development of the Bill Market	04. 27
32	Document [2016] No. 227	Notice Concerning Issues Related to Administration of Domestic Securities Investment by RQFII's	08.30
33	Document [2016] No. 253	Notice on Printing and Issuing Record-keeping Administrative Measures for Corporate Credit Information Reporting Agencies	09. 21
34	Document [2016] No. 261	Notice on Issues Regarding Reinforcing Payment and Settlement Administration to Prevent New Illegal Activities through Telecommunications Networks	09.30
35	Document [2016] No. 282	Notice on Issues Related to the Connectivity of the Mainland and the Hong Kong Stock Markets	11.04
36	Document [2016] No. 302	Notice on Implementing the Classification Mechanism for Personal Bank Accounts	11. 25
37	Document [2016] No. 314	Notice on Printing and Issuing the Implementation Measures of the People's Bank of China for the Protection of the Rights and Interests of Financial Consumers	12. 14
38	General Administration Department Document [2016] No. 59	Notice on Issues Related to the Regularization of the Use of Passwords on Cheques	03. 14
39	General Administration Department Document [2016] No. 110	Notice on Administrative Matters Concerning Anti-Money Laundering in the "Three-In-One" Registration System Reform	04. 25
40	General Administration Department Document [2016] No. 270	Notice concerning Issues Related to Identifying the Relationship between the Insured, the Beneficiary, and the Policy Holder	12. 30