

Appendix 1

Highlights of China's Monetary Policy in Q2 2010

On April 14, the People's Bank of China reported to the Finance and Economy Committee of the National People's Congress on the conduct of monetary policy in the first quarter of 2010.

On April 21, the People's Bank of China, jointly with the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission, issued the *Emergency Notice on Financial Services in the Areas Affected by the Yushu Earthquake* (PBC Document [2010] No. 121). The *Notice* specified that greater efforts should be made to strengthen cash deployment and supply, to make sure the payment and clearing system and the treasury system perform properly, and guide financial institutions to earnestly step up their credit support for disaster relief and post-quake reconstruction so as to meet with the basic living requirements of affected people in the quake areas.

On May 2, the People's Bank of China decided to raise the RMB reserve requirement ratio for depository financial institutions by 0.5 percentage points, effective from May 10, 2010. Rural credit cooperatives and village and township banks were temporarily exempted from the ratio hike.

On May 10, the *China Monetary Policy Report in the First Quarter of 2010* was released.

On May 28, the People's Bank of China, jointly with the China Banking Regulatory Commission, issued the *Opinions on Provision of Financial Services to Support Energy Conservation and Emission Reduction and Eliminate Backward Production Capacity*. The *Opinions* urged financial institutions to improve credit management and financial services in a comprehensive manner and closely monitor and prevent credit risks, so as to support energy conservation and emission reduction.

On June 8, the *China Regional Financial Sector Operation Report (2009)* was issued.

On June 19, in view of the recent economic situation and financial market developments at home and abroad and the balance of payments situation in China, the People's Bank of China decide to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. In furthering reform of the RMB exchange rate regime, continued emphasis would be placed to reflecting

market supply and demand with reference to a basket of currencies. The exchange rate floating band will remain the same as previously announced in the inter-bank foreign exchange market.

On June 21, the People's Bank of China, jointly with the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission, released the *Opinions on Further Improving Financial Services to Small- and Medium-sized Enterprises* (PBC Document [2010] No. 193). The *Opinions* sought to enhance reform and innovation of the SMEs credit management system, improve the multi-layered financial organization system for SMEs financial services, expand the financing channels in line with the characteristics of SMEs, develop a credit-enhancing system for SMEs, and support SMEs' efforts in going abroad by a variety of means.

On June 22, the People's Bank of China, jointly with the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation, and the China Banking Regulatory Commission, released the *Notice on Expansion of the Pilot Renminbi Settlement of Cross-border Trade Program*. The *Notice* expanded the pilot cross-border renminbi trade settlement areas, by increasing the domestic pilot cross-border renminbi trade settlement areas and eliminating geographical limitation to trading partners. The pilot cross-border renminbi settlement business was expanded from trade in goods to other BOP items. The expanded pilot cross-border renminbi trade settlement program would further meet the practical demands of enterprises for cross-border trade settlement in yuan, and would enhance the role of the program.