

# **LAW OF THE PEOPLE'S REPUBLIC OF CHINA ON THE PEOPLE'S BANK OF CHINA**

(Adopted on March 18, 1995, at the Third Session of the Eighth National People's Congress of the People's Republic of China. Issued by President Jiang Zemin signed Presidential Decree No. 46 the same day, approving the implementation of the law since the date of its promulgation. )

## **CONTENTS**

**CHAPTER ONE GENERAL PROVISIONS**

**CHAPTER TWO ORGANIZATION**

**CHAPTER THREE RENMINBI**

**CHAPTER FOUR BUSINESS OPERATIONS**

**CHAPTER FIVE SUPERVISION AND CONTROL OVER THE BANKING  
INDUSTRY**

**CHAPTER SIX FINANCE AND ACCOUNTING**

**CHAPTER SEVEN LEGAL LIABILITIES**

**CHAPTER EIGHT APPENDIX**

## **CHAPTER ONE GENERAL PROVISIONS**

### **Article 1**

This law is formulated for the purpose of establishing the status and functions of People's Bank of China (PBC), ensuring the correct formulation and implementation of the State monetary policies, instituting and perfecting a macro-control system through the central bank and strengthening supervision and administration over the banking industry.

### **Article 2 PBC is the central bank of the People's Republic of China.**

As the central bank, PBC shall formulate and implement monetary policies and exercise supervision and control over the banking industry in the country under the leadership of the State Council.

### **Article 3**

The aim of monetary policies is to maintain the stability of the value of the currency and thereby promote economic growth.

### **Article 4**

PBC shall perform the following functions:

- (1) formulate and implement monetary policies in accordance with the law;
- (2) issue Renminbi (RMB) and control its circulation;

- (3) examine, approve, supervise and administer banking institutions in accordance with regulations;
- (4) supervise and control the financial market in accordance with regulations;
- (5) promulgate ordinances and rules concerning financial administration and business;
- (6) hold, administer and manage the State foreign exchange reserve and bullion reserve;
- (7) manage the State treasury;
- (8) maintain the normal operation of the systems for making payments and settling accounts;
- (9) be responsible for statistics, investigation, analysis and forecasting for the banking industry;
- (10) engage in relevant international banking operations in its capacity as the central bank of the State; and
- (11) other functions assigned to it by the State Council.

In order to implement monetary policies, PBC may carry out financial operations in accordance with the relevant provisions of Chapter 4 of this law.

#### **Article 5**

PBC shall report its decisions concerning the annual supply of banknotes, interest rates, foreign exchange rates, and other major issues specified by the State Council to the State Council for approval before implementation.

PBC shall immediately carry out decisions on matters concerning monetary policies, but not specified in the preceding paragraph, and report them to the State Council for the record.

#### **Article 6**

PBC shall submit to the Standing Committee of the National People's Congress an annual report on monetary policies and the supervision and administration of the financial affairs.

#### **Article 7**

PBC shall, under the leadership of the State Council, independently implement monetary policies, perform its functions and carry out its operations according to law free from any intervention by local governments or government departments at all levels, public organizations or individuals.

#### **Article 8**

All capital of the PBC is allocated by the State and owned by the State.

## **CHAPTER TWO ORGANIZATION**

### **Article 9**

PBC shall have a governor and a certain number of deputy governors. The governor of PBC shall be nominated by the Premier of the State Council, and affirmed by the National People's Congress for the post but whereas the National People's Congress is not in session, affirmed by the Standing Committee of the National People's Congress and appointed or removed by the president of the People's Republic of China for the post. The deputy governors of the PBC shall be appointed or removed by the Premier of the State Council.

### **Article 10**

PBC shall institute a system in which the governor assumes the full responsibility. The governor shall direct the work of PBC and the deputy governors shall direct the work of PBC and the deputy governors shall assist the governor in his/her work.

### **Article 11**

PBC shall establish a monetary policy committee whose functions, composition and working procedures shall be prescribed by the State Council and reported to the Standing Committee of the National People's Congress for the record.

### **Article 12**

PBC shall, for performing its functions, establish branches as its representative organs and exercise centralized and unified leadership and control over those branches. The branches of the PBC, after authorized by the Bank, shall be responsible for the supervision and control of the banking operations and for handling relevant business operations in the areas under their respective jurisdiction.

### **Article 13**

The governor, deputy governors and other staff of PBC shall be diligent in carrying out their functions, refrain from abuse of power, malpractices for gaining private interests, or holding posts concurrently in any other banking institution, enterprise or foundation.

### **Article 14**

The governor, deputy governors and other staff of PBC shall keep State secrets according to law and be obligated to keep secrets of the banking institutions and the clients under their supervision and control.

## **CHAPTER THREE RENMINBI**

### **Article 15**

The legal tender of the PBC is Renminbi (RMB). Renminbi shall be used for repaying all public or private debts according to its face value within the territory of the People's Republic of China and not be whatsoever rejected by any organization or individual.

#### **Article 16**

The basic unit of Renminbi is the yuan and the units of fractional currency of Renminbi are the jiao and the fen.

#### **Article 17**

Renminbi shall be printed, minted and issued solely by PBC. PBC shall make public announcement of the issuing date, face values, designs, patterns and specifications of a new Renminbi issue.

#### **Article 18**

Any counterfeiting, altering or illegal printing or minting of Renminbi is prohibited. Selling or buying counterfeit or altered Renminbi is prohibited. Transportation, possession or use of counterfeit, altered or illegally printed or minted Renminbi is prohibited. Deliberate damaging of Renminbi is prohibited. Illegal use of the image of Renminbi in propaganda materials, publications or other commodities is prohibited.

#### **Article 19**

No organization or individual may print or issue promissory notes as substitutes for Renminbi to circulate on the open market.

#### **Article 20**

The damaged or soiled Renminbi shall be exchanged in accordance with the regulations of PBC and PBC shall be responsible for collecting and destroying the aforesaid Renminbi.

#### **Article 21**

PBC shall establish a Renminbi issue treasury and its branches shall establish subsidiary issue treasuries. The subsidiary issue treasuries shall, in allocating Renminbi issue funds, act on the order of allocation from their superior treasury. No organization or individual may use the issue fund in violation of the relevant regulations.

### **CHAPTER FOUR BUSINESS OPERATIONS**

#### **Article 22**

PBC may use the following instruments to implement the monetary policies;

- (1) reserve fund at a required ratio deposited in PBC by banking institutions under demand;
- (2) base interest rates fixed by the central bank;

- (3) rediscount for banking institutions which have opened accounts in PBC;
- (4) provision of loans for commercial banks;
- (5) deals in State bonds and other government bonds and foreign exchange on the open market; and
- (6) other monetary policy instruments defined by the State Council.

PBC may work out the specific conditions and procedures when applying the monetary policy instruments set forth in the preceding clauses to implement monetary policies.

### **Article 23**

PBC shall manage the State treasury in accordance with the laws and administrative rules and regulations.

### **Article 24**

PBC may issue government bonds to banking institutions and organize to exchange government bonds on behalf of the financial department of the State Council.

### **Article 25**

PBC may open accounts for banking institutions as needed, but may not overdraw the accounts of the banking institutions,

### **Article 26**

PBC shall organize or assist in organizing banking institutions in settling inter-institutional accounts, coordinating such activities and providing such services. PBC shall work at specific procedures for such operation.

### **Article 27**

PBC may, for the implementation of monetary policies, determine the amounts, repayment schedules, rates of interest and forms of loans to commercial banks, but the time limit for such loans shall not exceed one year.

### **Article 28**

PBC must not give any overdrawal in exceeding financial budget of the government or directly subscribe to or act as sole sales agent for State bonds and other government bonds.

### **Article 29**

PBC must not provide loans to the local governments, governmental departments of various levels, non-bank financial institutions and other organizations or individuals except to non-bank financial institutions specially permitted by the State Council. PBC must not act as financial guarantor for any organization or individual.

## **CHAPTER FIVE SUPERVISION AND CONTROL OVER THE BANKING INDUSTRY**

### **Article 30**

PBC shall, in accordance with the law, exercise supervision and control over banking institutions and their business operations to maintain the legitimate, stable and sound operation of the banking industry.

### **Article 31**

PBC shall, in accordance with relevant regulations, examine and approve the establishment, change, termination and scope of business of a banking institution.

### **Article 32**

PBC shall have the power to audit, check and supervise at any time the deposits, loans, account settling, bad debts and other business affairs of banking institutions. PBC shall have the power to check and supervise the raising or lowering of interest rates on deposits or loans by banking institutions in violation of regulations.

### **Article 33**

PBC shall have the power to demand banking institutions to submit balance sheets of their assets, statements of profit and loss and other financial and accounting reports and materials in pursuance of regulations.

### **Article 34**

PBC shall be responsible for compiling comprehensive statistics and accounting statements for the national banking system and for publishing them in accordance with relevant State provisions.

### **Article 35**

PBC shall guide and supervise the business operations of the State banks responsible for implementing State policies.

### **Article 36**

PBC shall establish and perfect auditing and checking system for and strengthen its control over the banking system.

## **CHAPTER SIX FINANCE AND ACCOUNTING**

### **Article 37**

PBC shall exercise independent control over its financial budget. The budget of PBC shall be incorporated in the central budget after it has been examined and verified by the financial department of the State Council.

#### **Article 38**

PBC shall turn over to the State treasury the entire net profit from its every accounting fiscal yearly income minus annual expenditures after withdrawing funds for its general reserve at a proportion determined by the financial department of the State Council. Losses sustained by PBC shall be offset by State allocations.

#### **Article 39**

PBC shall abide by the laws, administrative rules and regulations and the unified State accounting system in managing its revenue and expenditures and in accounting and be subject to the respective auditing and supervision of the audit institution and the financial department of the State Council in pursuance of the law.

#### **Article 40**

PBC shall, within three months after the end of every fiscal year, complete balance sheets of its assets, statement of profit and loss and relevant accounting reports, prepare its annual report and publish them in accordance with relevant regulations of the State. The fiscal year of the PBC begins on the first of January and ends on the thirty-first of December of the Gregorian calendar.

### **CHAPTER SEVEN LEGAL LIABILITIES**

#### **Article 41**

Anyone who illegally prints or mints Renminbi, sells counterfeit Renminbi, or knowingly transports counterfeit money or illegally printed or minted money shall be investigated for criminal responsibilities in accordance with the law. Anyone who alters Renminbi or sells altered Renminbi or knowingly transports altered Renminbi shall, if the case constitutes a crime, be investigated for criminal responsibilities and shall, if the circumstances are not serious enough, be punished by the public security organ with a detention of no more than 15 days and a fine of no more than RMB 5,000.

#### **Article 42**

Anyone who buys counterfeit or altered Renminbi or knowingly holds or uses counterfeit or altered or illegally printed or minted Renminbi shall, if the case constitutes a crime, be investigated for criminal responsibilities and shall, if the circumstances are not serious enough, be punished by the public security organ with a detention of no more than 15 days and a fine of no more than RMB 5,000.

#### **Article 43**

In the event that anyone illegally uses the image of Renminbi in propaganda materials, publications or other commodities, PBC shall order to make corrections and destroy the illegally used image of Renminbi, confiscate any income illegally obtained and impose a fine of no more than RMB50,000.

#### **Article 44**

In the event that anyone prints or sells promissory notes as substitutes for Renminbi for circulation on the open market, PBC shall order to cease the illegal practice and impose a fine of no more than RMB 200,000.

#### **Article 45**

In the event that anyone violates the laws or administrative rules or regulations regarding administration of banking, PBC shall order to cease the illegal practice and give administrative sanctions in accordance with the law; if the case constitutes a crime, criminal responsibilities shall be affixed.

#### **Article 46**

Upon refusal to administrative punishments, administrative procedures shall be taken in accordance with the "Administrative Procedures Law of the People's Republic of China".

#### **Article 47**

Whereas PBC commits any of the following acts, the person directly in charge and other persons held directly responsible shall be subject to administrative punishments; if the case constitutes a crime, criminal responsibilities shall be affixed in accordance with the law:

- (1) violate the stipulations in clause 1 of Article 29;
- (2) provide financial guarantee for a unit or an individual; or
- (3) use the currency issue fund without authorization.

Whereas the aforesaid acts result in losses, the person directly in charge and other persons held directly responsible shall bear part of or all the liabilities for compensation.

#### **Article 48**

Whereas a local government or any other administrative organ, public organization or individual coerces PBC and its functionaries into providing loans or guarantee in violation of Article 29 of this law, the person directly in charge and other persons directly responsible shall be subject to administrative punishments in accordance with the law; if the case constitutes a crime, they shall be investigated for criminal responsibilities according to law and shall bear part of or all the liabilities for compensation for any resultant losses.

#### **Article 49**



Any functionary of PBC who divulges any State secret shall, if the case constitutes a crime, be investigated for criminal responsibilities according to law; if the circumstances are not serious enough, he/she shall be subject to administrative punishments according to law.

#### **Article 50**

Any functionary of the PBC who commits embezzlement, bribery, malpractices for personal gain, abuse of powers, or neglect of duties shall, if the case constitutes a crime, be investigated for criminal responsibilities according to law; if the circumstances are not serious enough, be subject to administrative punishments according to law.

### **CHAPTER EIGHT APPENDIX**

#### **Article 51**

This Law shall go into effect as of the date of its promulgation.