THE PEOPLE'S BANK OF CHINA

ANNUAL REPORT

2017

CONTENTS

STATISTICAL ANNEX

CHRONICLE

COLUMN

GOVERNOR'S ADDRESS

The year 2017 is key for the development of the Communist Party of China (CPC) and the Nation, as the 19th National Congress of the CPC was successfully held, and the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era was established as the long-term guideline of the CPC, which made comprehensive arrangements on the direction of the development of the CPC and the Nation. The fifth National Financial Work Conference clarified the guidelines and key principles for financial work, and made thorough arrangements. The People's Bank of China (PBC) has deeply studied and implemented the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, improved political consciousness, strengthened the "four consciousness", and stuck to the "four confidence". According to the overall requirement for the building of the CPC in the new era, the PBC has pursued strict Party discipline, deeply understood, adapted to and guided the New Normal, adhered to the guideline of seeking progress while maintaining stability and the new concept of development, took the supply-side structural reforms as the main task, deepened financial reform, kept the prudent and neutral monetary policy stance, put financial risk prevention and control as a more important item on the agenda, and improved financial service and management, so as to support stable and healthy economic and financial development.

A two-pillar management framework of monetary policy and macro-prudential policy has been preliminarily established

According to the changing economic and financial situation, the PBC appropriately adopted and managed a mix of policy instruments, and ensured neutral, adequate and basically stable liquidity in the banking system. It made full use of the price leverage and guided the market interest rate to move in a stable manner. It strengthened and improved macro-prudential management, and included off-balance sheet wealth management products into the broad credit indicator. It also deepened the market-based interest rate reform, further improving monetary policy management and transmission mechanism. It improved the market-oriented RMB exchange rate regime, and promoted the RMB exchange rate to remain basically stable at a reasonable and equilibrium level. It improved the full-coverage cross-border financing macro-prudential policies, promoting balanced flow of cross-border capital. The implementation of prudent monetary policy and macro-prudential policy has provided a suitable monetary and financial environment for the supply-side structural reform and the high quality development of the economy.

Progress has been made on preventing and mitigating financial risks

The PBC has sped up its work on filling gaps in financial regulation, strengthened integration and coordination of financial regulation, and performed its role as the office of the Financial Stability and Development Committee of the State Council dutifully. It has actively promoted market-based debt-to-equity swap, and appropriately dealt with corporate debt of the over-capacity industries, preventing and mitigating the risk of high leverage in a practical way. It has actively and steadily promoted the specific program to manage Internet finance risks, and facilitated the establishment of a long-term mechanism for Internet finance regulation and risk prevention. It has further strengthened the institutional basis for financial stability, and stuck to the bottom line of no systematic financial risks.

Financial support was provided to facilitate the forceful promotion of supply-side structural reforms

The PBC has strengthened financial support to key areas, including the implementation of "Made in China 2025 Strategy", integration of Beijing, Tianjin and Hebei Province, the construction of Xiong'an New Area, and ecological environmental protection. It has promoted financial reforms and innovation in the area of agriculture finance and inclusive finance, pushed forward targeted poverty alleviation, and improved financial services to micro and small businesses. It has continuously implemented differentiated city-specific housing credit policies, strengthened real-estate financial macro-prudential management, actively supported the construction of government-subsidized housing projects such as shantytown renovation, and supported the cultivation and development of rental housing market.

Further innovation and development was achieved in the financial market

On the one hand, the PBC has strengthened market institutions. The market-making mechanism of the inter-bank market was improved, and the market-making support mechanism for government bonds was launched. Regulation on bond market transactions was improved. Regulatory coordination on corporate debenture bonds was strengthened, information disclosure was standardized and cross-market law enforcement was promoted, and the default resolution mechanism was improved. Studies were conducted on the integrated regulation of financial infrastructures. On the other hand, the PBC has steadily promoted financial market innovation. The Bond Connect was successfully launched. The panda bond mechanism was improved. Financial bonds for mass entrepreneurship and innovation and notes for poverty relief were issued. Pilot programs on non-performing loans (NPLs) securitization was steadily implemented, and PPP project asset securitization was promoted in a fully compliant way.

Financial opening-up was expanded and international influence was increased

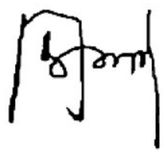
The PBC has formulated and released the Overall Plan for Finance to Support the Construction of "One Belt and One Road", deeply participated in global economic governance and the formulation and implementation of international financial standards, deepened bilateral and regional financial cooperation and that with Hong Kong SAR, Macao SAR, and Taiwan Province. Reforms in key areas of foreign exchange administration were deepened to further promote liberalization and facilitation for trade and investment. Policy frameworks were continuously improved to promote RMB cycles in cross-border trade settlement, direct investment and financial market transactions, further increasing acceptance of RMB. The RMB has remained the second most used currency for cross-border payments in China for seven consecutive years, and maintained its position in the global monetary system.

Financial service and management capabilities were significantly improved

Breakthroughs were achieved in financial rule of law, financial statistics and studies. Classification management mechanism for individual banking accounts was improved, special program to manage enterprises doing payment businesses without certificates was carried out forcefully, central deposits and management of clients' reserves was required, and stable development of the payment industry was achieved. The information system construction and management of the central bank was continuously strengthened. Large-scale cash management was strengthened, services related to small face-value RMB cash were enhanced, and the service efficiency of currency issuance was increased continuously. Quality and efficiency of treasury management was enhanced. Market-based individual credit information collection institutions were promoted through integration and collective use of market resources, illegal and non-compliant credit information collecting activities were inspected and punished according to law, and the construction of social credit information system was advanced determinedly in all aspects. Management of large-scale transactions and suspicious transactions was improved, and anti-money laundering and counter financing of terrorism work was steadily pushed forward. Financial consumer protection and inclusive finance were further promoted.

The year 2018 marks the starting point to implement the spirit of the 19th National Congress of the CPC, the 40th anniversary of reform and opening-up, and a key and connecting year for securing the victory on building a moderately prosperous society in an all-around way and implementing the 13th Five-Year Plan. Implementing the spirit of the 19th National Congress of the CPC, the Second and Third Plenary Session of the 19th Central Committee, and the Central Economic Work Conference, and taking the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guideline, the PBC will strengthen the CPC's leading role in financial work, stick to the principle of seeking progress while maintaining stability, focusing on the changes in main contradictions in China's economy and society, and follow the requirement of high quality development. It will push forward the work on stabilizing growth, promoting reform, adjusting structure, benefiting the people, and preventing risks in a well-coordinated manner. Efforts will also be made to maintain the prudent and neutral monetary policy, win the battle on preventing major financial risks, promote financial reform, opening-up and development in a decisive way, and enable finance to play a bigger role in serving the real economy so as to contribute to the realization of the Chinese dream of the great rejuvenation of the Chinese nation.

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

Xu Jia'ai

Commissioner of
Discipline Inspection

Yin Yong

Deputy Governor

Zhang Xiaohui

Assistant Governor

Liu Guoqiang

Assistant Governor

Notes: 1. The PBC management disclosed in this annual report was for the year of 2017.
2. In September 2017, Xu Jia'ai assumed the role of Commissioner of Discipline Inspection of the PBC, while Wang Hongjin no longer served as Commissioner of Discipline Inspection of the PBC; in December 2017, Zhang Xiaohui 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:	Ding Xuedong	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
	Guo Shuqing	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
	Huang Yiping	Associate Dean at Peking University's National School of Development
	Bai Chongen	Executive Associate Dean at Tsinghua University's School of Economics and Management

Notes: 1. Members of the Monetary Policy Committee (MPC) of the PBC disclosed in this report was for the year of 2017.
2. In March 2017, approved by the State Council, Ding Xuedong and Guo Shuqing were appointed as members of the MPC, while Xiao Jie and Shang Fulin were no longer members of the MPC.

ORGANIZATIONAL STRUCTURE OF THE PBC

ORGANIZATIONS OF THE PBC (NUMBER)

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	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

THE PBC HEAD OFFICE (PBCHO)

General Administration Department (General Office of the CPC PBC Committee)

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

State Administration of Foreign Exchange

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

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

Shijiazhuang Sub-branch

Taiyuan Sub-branch

Hohhot 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

Guangzhou Branch

Nanning Sub-branch

Haikou Sub-branch

Shenzhen 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

Since 2017, the global economic recovery has been synchronized across countries. The expansion continued with well-performing labor markets. The US economic recovery continued and the euro area recovery further strengthened. The UK economy was stable but uncertainty remained regarding the Brexit arrangement. In Japan, economic recovery was getting momentum. The emerging market economies (EMEs) have seen rapid growth but some economies still faced the pressure of adjustment and transformation.

Developments in major economies

The recovery was synchronized across major economies with well-performing labor markets. The US economy has continued to recover, operating at a level close to full employment. The GDP growth rate was 1.2 percent in Q1 2017, and climbed to 3.1 percent in Q2 and 3.2 percent in Q3, reaching a two-year high. The Q4 GDP growth was 2.5 percent, and the full-year growth rate was 2.3 percent. The labor market continued to tighten. The unemployment rate has been declining to 4.1 percent from October 2017, then staying at the lowest level since 2001. The non-farm payroll employment was largely stable with some volatility, and the participation rate was running below historical average. The CPI and core CPI both declined from over 2.0 percent in early 2017. The CPI rebounded slightly, with the November and December readings jumping to 2.2 percent and 2.1 percent year on year respectively, while core CPI stayed at 1.7 percent and 1.8 percent year on year respectively, below the 2 percent target for 9 consecutive months.

In the euro area, economic recovery accelerated amid strong growth across countries, with consumption and investment becoming drivers of the recovery. The quarterly GDP growth rates in 2017 were 2.1 percent, 2.4 percent, 2.6 percent, and 2.7 percent respectively, with the full-year growth posting 2.5 percent. The inflation remained subdued, staying below 1.5 percent after reaching 2.0 percent in Q1. The November and December readings were 1.5 percent and 1.4 percent respectively. The labor market improved amid a declining unemployment rate, which was down to 8.7 percent in November and December, the lowest level since the European Debt Crisis.

The UK economic situation was stable but the growth momentum has weakened. The quarterly GDP growth rates in 2017 were 2.1 percent, 1.9 percent, 1.7 percent, and 1.5 percent respectively, with the full-year growth being 1.8 percent. The inflation has been well beyond the target of the Bank of England (BOE), as the CPI has been around 3 percent since September, reaching 3.1 percent and 3.0 percent in November and December respectively. There was progress in the Brexit negotiation but uncertainties remained.

The Japanese economy was getting momentum. In the first three quarters of 2017, the annualized quarter-on-quarter GDP growth rates were 1.5 percent, 2.9 percent, and 2.5 percent respectively, enjoying positive growth for 7 consecutive quarters. However, after decades of deflation, employers were reluctant to raise wages, and the producers had little incentive to raise prices. The inflation remained subdued and has been below 1.0 percent since 2017, far below the 2 percent target of the Bank of Japan (BOJ).

The EMEs have enjoyed rapid economic growth, but some economies were still faced with the pressure of adjustment and transformation. The EMEs grew 4.6 percent in 2017, and growth was expected to accelerate in 2018. In particular, impacted by tax reform and other factors, the Indian economy resumed growth after a slowdown. The GDP growth rates of the first three quarters of 2017 were 6.1 percent, 5.7 percent and 6.3 percent respectively. Due to rising commodity prices, growth in Russia and Brazil has been stabilized, and the inflation was reined in and went down slightly at end-2017. Against the backdrop of advanced economies' monetary policy normalization, some EMEs were faced with challenges such as cross-border capital flows, putting them under pressure of adjustment and transformation.

Overview of global financial markets

In the foreign exchange market, the US dollar index has been weakening all the year, the Japanese yen, euro and pound sterling gained some strength against the US dollar. The EME currencies appreciated against the US dollar as well. The US dollar index dropped 9.85 percent year on year to 92.3 at end-2017. JPY/USD was up 3.72 percent year on year to 112.67 yen per dollar. The euro went higher to 1.1996 dollar per euro, up 14.11 percent. The sterling jumped 9.53 percent to 1.3512 dollar per pound. Regarding the EME currencies, the Russian ruble, Indian rupee and Mexican peso appreciated against the US dollar by 6.26 percent, 6.45 percent, and 5.43 percent respectively. The Brazilian real lost 6.92 percent against the US dollar.

Treasury yields of major advanced economies were largely stable while those of EMEs kept diverging. The 10-year treasury yields in the US and UK were 2.411 percent and 1.188 percent at the year-end, down 2.1 basis points (bps) and 5.2 bps from last year respectively. The 10-year treasury yields in Japan, Germany, and France were 0.050 percent, 0.424 percent, and 0.785 percent respectively, up 0.1 bp, 21.7 bps, and 10.3 bps from end-2016. In terms of the EMEs, the 10-year treasury yields in Russia and Brazil closed at 7.590 percent and 10.270 percent, down 79 bps and 119 bps from end-2016. The 10-year treasury yields in India, Mexico, and Turkey closed at 7.326 percent, 7.720 percent, and 11.430 percent, up 81.4 bps, 27 bps, and 34 bps respectively.

Stock markets rallied in major economies. At end-2017, the Dow Jones Industrial average, Dax, Nikkei 225, Stoxx50, and FTSE100 went up 25.08 percent, 12.51 percent, 19.10 percent, 6.49 percent, and 7.53 percent year on year respectively. Among the EMEs, the stock index in Russia, India, Brazil, Mexico, and Turkey climbed 0.18 percent, 27.91 percent, 26.86 percent, 8.13 percent, and 48.81 percent respectively.

In the commodity market, both crude oil and gold saw a sharp rebound. Brent oil and WTI oil were USD66.87 and USD60.42 per barrel at the year-end, up 17.69 percent and 12.47 percent respectively. Gold price volatility rose with futures price reaching USD1 306.3 per ounce at the year-end, up 13.59 percent year on year.

Monetary policies in major economies

Monetary policies in major economies proceeded along the normalisation path. The Federal Reserve (Fed) continued to gradually increase the target range for the federal funds rate, raising it three times in March, June, and December, bringing it to 1.25-1.5 percent. In October, the Fed started the balance sheet normalization program, reducing the holdings by decreasing its reinvestment of the principal payments it received, and the cap for Treasury was USD6 billion per month initially and increased in steps of USD6 billion at three-month intervals until it reached USD30 billion per month, while the cap for mortgage-backed securities (MBS) was USD4 billion per month initially and increased in steps of USD4 billion at three-month intervals until it reached USD20 billion per month.

In 2017, the European Central Bank (ECB) decided to keep the interest rates on the main refinancing operations, the marginal lending facility, and the deposit facility unchanged at 0.00 percent, 0.25 percent, and -0.40 percent respectively. The monthly purchases were conducted at the pace of 80 billion euro until March 2017, 60 billion euro from April 2017 until December 2017, and 30 billion euro from January 2018 to September 2018. If the outlook becomes less favorable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the ECB stands ready to increase the asset purchase program in terms of size and/or duration.

The BOJ continued the "QQE with Yield Curve Control" operation, aiming to achieve the 2 percent inflation target. BOJ continued to apply a negative interest rate of -0.1 percent to the policy-rate balances in current accounts held by financial institutions at BOJ, and further purchased Japanese government bonds at the pace of 80 trillion yen per year, so that the 10-year JGB yield remained at around 0 percent, aiming to achieve the long term interest rate target. In terms of asset purchase, BOJ continued to purchase ETF, J-REITs and corporate bonds at annual paces of 6 trillion yen, 90 billion yen, and 3.2 trillion yen respectively.

The BOE held the key interest rate unchanged at 0.25 percent for the first three quarters, and maintained the stock of CBPS assets at GBP10 billion and the stock of purchases of UK government bonds at GBP435 billion. On November 2, the BOE hiked its key interest rate from 0.25 percent to 0.5 percent, the first time since July 2007.

The economic growth in EMEs diverged with varied monetary policy stances. On the one side, some economies raised interest rates due to country-specific conditions, including South Korea, which hiked interest rate by 25 bps to 1.50 percent on November 30, the first time in 6 years, given the benign growth and rising inflation expectations; Mexico, which raised interest rate 5 times in 2017 to 7.25 percent, aiming to ease the pressure of peso depreciation, capital outflows and domestic inflation dynamics; and Turkey, which lifted interest rate 4 times to 12.75 percent in response to inflationary pressures. On the other side, some economies chose to ease monetary policies to boost economic growth, such as Russia, which cut key interest rate 6 times to 7.75 percent; Brazil, which lowered policy rate 8 times to 7.0 percent; Chile, which cut benchmark interest rate 4 times to 2.5 percent; India, which cut repo rate by 25 bps to 6.0 percent; and Indonesia, which lowered 7-day reverse repo rate twice to 4.25 percent.

World economic outlook and issues that merit attention

The IMF has kept the projection of world growth it made in January 2018 in the updated *World Economic Outlook* in April 2018. Global economy is expected to grow at a pace of 3.9 percent in 2018 and 2019. The IMF revised upward the 2018 growth projection for advanced economies, and maintained projection for EMEs and developing economies. Looking ahead, the global economy might face the following issues:

The first issue is the spillover effects of the US policy mix, a stimulative fiscal stance combined with tightening monetary policy. In December 2017, the US congress passed the tax cuts and jobs act, a territorial tax system, which significantly lowered corporate tax rate and slightly reduced individual tax rate, and a one-off tax payment would be charged on the overseas profits accumulated by US companies for years. Meanwhile, the Fed has continued its normalization approach with three hikes and initiated the balance sheet normalization program in 2017. The combined effects of stimulative fiscal policy and tightening monetary policy on liquidity, risk appetite, and global financial market should be closely monitored. Moreover, it is necessary to watch if US tax cut will inspire cuts globally.

The second issue is the monetary policy normalization of major advanced economies. As economic recovery strengthened in advanced economies, the Fed initiated the balance sheet normalization program in October 2017, the ECB will further reduce the size of asset purchase, the BOE hiked interest rate in November for the first time in 10 years, and there is growing market concern on when and how BOJ exits the accommodative monetary policy. Compared with previous tightening periods, there are some new developments this time, including large central bank balance sheets in major economies, limited room for further interest rate cuts, rising global debts, structural changes of long-term inflation and productivity, and rising political uncertainties. Against this background, long-term interest rate will jump unexpectedly if the central bank tightens faster than anticipated, which could have significantly impact on macro economy and asset price, dampen recovery, and lead to the materialization of risks.

The third issue is anti-globalization and protectionism. In 2017, anti-globalization and protectionism further increased due to inequality in income distribution and imbalances of global trade, and the risk in global trade and protectionism is worth attention. In the short term, protectionism could threaten strong and sustainable growth through impeding trade, restraining FDI, and weakening global demand. In the long term, protectionism will be the barrier to capital flows and labor mobility, inducing poor resource allocation and preventing competition between participants on the global value chain (GVC), dragging the improvement of productivity and economic growth, and exacerbating market fluctuation.

The fourth issue is uncertainties on future inflation. The riddle of low inflation, which refers to the deviation of inflation from economic recovery, drew a lot of attention in 2017. It is controversial that the leading contributor to low inflation should be temporary components or trend components. Some argued that low inflation would be a long-lasting phenomenon due to low productivity, distribution of GVC, booming AI technologies, and excess capacity globally. If low inflation continues in the long term, the inflation expectations will be brought down and the impact of central bank monetary policy will be more uncertain.

The fifth issue is high leverage and heavy debt burden will put pressure on consumption and investment. Globally, non-financial sector leverage kept rising. Given high residential leverage, slow salary increase, and rising inequality, the role of consumption in driving economic growth might be weakened. The investment prospects are under pressure as well, resulting from slow productivity growth, political uncertainty, slow population growth, and high corporate debt. In addition, the growing burden of US dollar-denominated debt of the corporate sector in some EMEs further limits investment growth.

Geopolitical tension might occur in various situations, and risk factors as well as uncertainties might accumulate, all of which have an increasing impact on the real economy and financial system. Moreover, risks associated with FinTech, which pose challenges to international financial supervision, should not be ignored.

MACROECONOMIC DEVELOPMENTS IN CHINA

In 2017, China adhered to the guiding principles of seeking progress while maintaining stability and firmly carried out the new vision for development. It focused on improving the quality and efficiency of development and unswervingly pursued the supply-side structural reforms. It adopted a comprehensive approach in maintaining steady growth, encouraging reforms, promoting structural adjustment, promoting people's wellbeing, and preventing risks in order to optimize the economic structure, transform the drivers of economic development, and improve the quality of growth. Growth remained stable amid positive signs, with steady and healthy development achieved.

Growth remained stable amid positive signs and the industrial structure continued to improve

According to the preliminary data of the National Bureau of Statistics, China's GDP registered RMB82.71 trillion in 2017, up 6.9 percent year on year in comparable terms. During the year, the growth rate registered 6.9 percent, 6.9 percent, 6.8 percent, and 6.8 percent for the four quarters (Figure 1). The value-added of the first, the secondary, and the tertiary industries were RMB6.55 trillion, RMB33.46 trillion, and RMB42.70 trillion, up 3.9 percent, 6.1 percent, and 8.0 percent year on year respectively.

The value-added of the first industry accounted for 7.9 percent of GDP, down 0.6 percentage point from the previous year. The value-added of the secondary industry accounted for 40.5 percent of GDP, up 0.6 percentage point from the previous year. The value-added of the tertiary industry accounted for 51.6 percent of GDP, unchanged from the last year. The contribution rates of the first, the secondary, and the tertiary industries to GDP growth were 4.9 percent, 36.3 percent, and 58.8 percent respectively. The contribution rate of the tertiary industry was 22.5 percentage points higher than that of the secondary industry and up 1.3 percentage points over the previous year.

Figure 1. China's Economic Growth

Source: National Bureau of Statistics

The growth of industrial production accelerated while the corporate profitability substantially improved

In 2017, the value-added of all industrial enterprises registered RMB28.00 trillion, up 6.4 percent year on year and representing an acceleration of 0.4 percentage point from the previous year. The value-added of statistically large industrial enterprises (SLIFs) grew 6.6 percent year on year, an acceleration of 0.6 percentage point from 2016. Among the SLIFs by sector, the value-added of the mining industry dropped 1.5 percent, that of the manufacturing industry grew 7.2 percent, and that of the power, heating, gas, and water supply industries grew 8.1

percent. In 2017, the profits of the SLIFs registered RMB7.52 trillion, up 21.0 percent year on year, the fastest since 2012 with an acceleration of 12.5 percentage points from the previous year. By sector, the profits of the mining industry reached RMB458.7 billion, growing by 2.6 times year on year (compared with the decline of 27.5 percent year on year during the previous year). The profits of the manufacturing industry grew 18.2 percent to RMB6.65 trillion, an acceleration of 5.9 percentage points over growth of the previous year, while that of the power, heating, gas, and water supply industries dropped 10.7 percent to RMB408.9 billion, 3.6 percentage points narrower from the decline of the previous year. During the year, the profit margin of main business lines in the SLIFs reached 6.46 percent, up 0.54 percentage point from the previous year, indicating a remarkable improvement in the profitability of industrial enterprises.

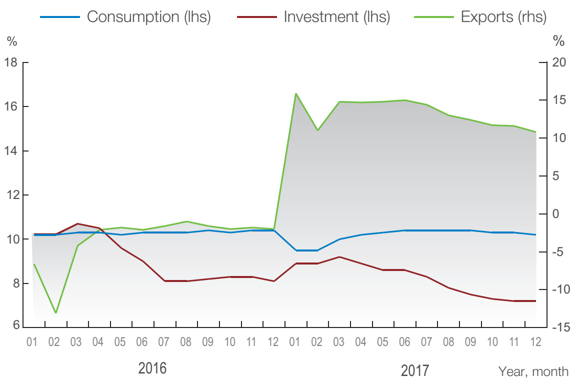
The structure of the domestic demand continued to improve and the contribution of the external demand turned positive

In 2017, final consumption expenditures contributed 58.8 percent to GDP growth, 26.7 percentage points higher than that of capital formation, suggesting that the structure of the domestic demand continued to improve. During the year, total retail sales reached RMB36.63 trillion, up 10.2 percent year on year (Figure 2), a deceleration of 0.2 percentage point from the previous year. Retail sales in the urban areas gained 10.0 percent year on year to RMB31.43 trillion, while that in the rural areas grew 11.8 percent year on year to RMB5.20 trillion. By consumption composition, retail sales of goods grew 10.2 percent to RMB32.66 trillion while revenue of the catering industry grew 10.7 percent to RMB3.96 trillion. Online retail sales grew 32.2 percent year on year, reaching RMB7.18 trillion, of which the retail sales of physical goods grew 17.8 percent to RMB5.48 trillion, representing 15 percent of the total retail sales, up 2.4 percentage points over the previous year.

During the year, fixed-asset investment reached RMB64.12 trillion, up 7.0 percent year on year though decelerating 0.9 percentage point from the previous year (Figure 2). Fixed-asset investments (excluding those by rural households) reached RMB63.17 trillion, up 7.2 percent year on year and a deceleration of 0.9 percentage point from the previous year. More specifically, the investment in the first industry grew 11.8 percent year on year to RMB2.90 trillion. The investment in the secondary industry grew 3.2 percent year on year to RMB23.58 trillion. The investment in the tertiary industry grew 9.5 percent year on year to RMB37.50 trillion. Investment in real estate development grew 7.0 percent to RMB10.98 trillion and an acceleration of 0.1 percentage point over the previous year.

In 2017, net exports of goods and services contributed 9.1 percent to GDP growth and the contribution rate turned positive after two years in negative territory. During the year, imports and exports of goods grew 14.2 percent year on year to RMB27.79 trillion. The growth rate turned positive from the previous two negative years (the growth rate of the previous year was -0.9 percent year on year). More specifically, exports grew 10.8 percent to RMB15.33 trillion (Figure 2) and imports grew 18.7 percent to RMB12.46 trillion. Trade surplus in goods registered RMB2.87 trillion, RMB473.4 billion less than that of the previous year. Imports from and exports to Belt and Road

Figure 2. Growth of the Three Major Types of Demand



Sources: National Bureau of Statistics and General Administration of Customs countries grew 17.8 percent year on year and reached RMB7.37 trillion, in which the exports grew 12.1 percent to RMB4.30 trillion, whereas imports grew 26.8 percent to RMB3.07 trillion.

Consumer price rose moderately, whereas producer price increased rapidly

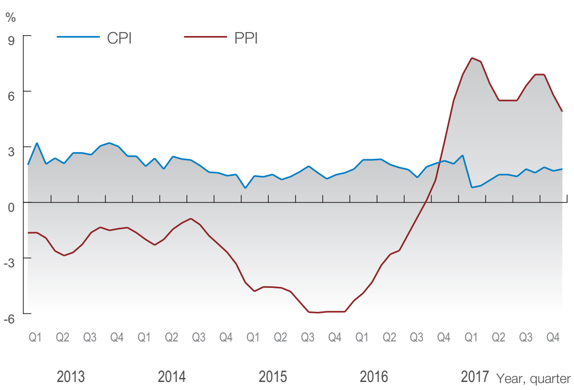
In 2017, CPI rose 1.6 percent year on year, down 0.4 percentage point from 2016. Quarterly CPI growth registered 1.4 percent, 1.4 percent, 1.6 percent, and 1.8 percent respectively (Figure 3). Broken down by food and non-food items, food prices dropped while prices for non-food items experienced strong rises. Food prices declined 1.4 percent, a depreciation of 6.0 percentage points from 2016. Non-food prices moved up 2.3 percent year on year, 0.9 percentage point higher than that in 2016. Broken down by consumer goods and services, the prices of consumer goods moderated, whereas that for services moved up notably. The prices of consumer goods rose 0.7 percent, a deceleration of 1.2 percentage points. The prices of services grew 3.0 percent, an acceleration of 0.8 percentage point from the previous year.

PPI rose 6.3 percent in 2017, an acceleration of 7.7 percentage points from 2016. Quarterly PPI growth recorded 7.4 percent, 5.8 percent, 6.2 percent, and 5.9 percent respectively (Figure 3). In particular, prices of consumer goods were broadly stable, whereas that of capital goods rose at a strong pace. The former grew 0.7 percent year on year, an acceleration of 0.7 percentage point over 2016. The latter grew 8.3 percent year on year, an acceleration of 10.1 percentage points from the previous year. The purchasing price index of raw material, fuel, and power (PPIRM) went up 8.1 percent year on year, an acceleration of 10.1 percentage points from the previous year, with quarterly growths at 9.4 percent, 8.1 percent, 7.7 percent, and 7.1 percent respectively.

Employment remained generally stable and household income growth accelerated

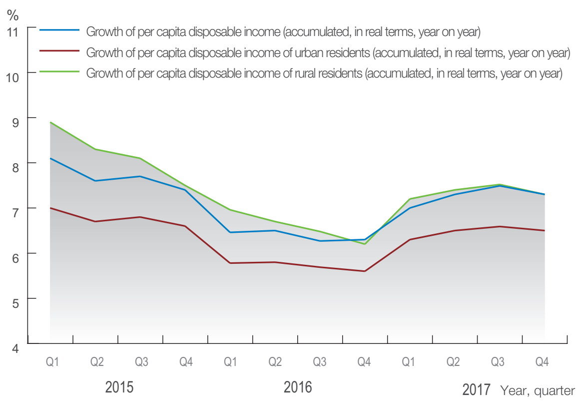
In 2017, new employment in the urban areas reached 13.51 million, up 0.37 million year on year. The registered urban unemployment rate was 3.9 percent, down 0.12 percentage point from the previous year. The per capita disposable income registered RMB25 974, representing real growth of 7.3 percent, an acceleration of 1.0 percentage point from the previous year. More specifically, the per capita disposable income of urban residents registered RMB36 396, representing real growth of 6.5 percent. The per capita disposable income of rural residents registered RMB13 432, growing 7.3 percent in real terms (Figure 4). The gap between the per capita disposable incomes of urban and rural residents was 2.71 times, narrowing by 0.01 from the previous year.

Figure 3. CPI and PPI Growth (year on year)



Source: National Bureau of Statistics

Figure 4. Growth of Household Disposable Income

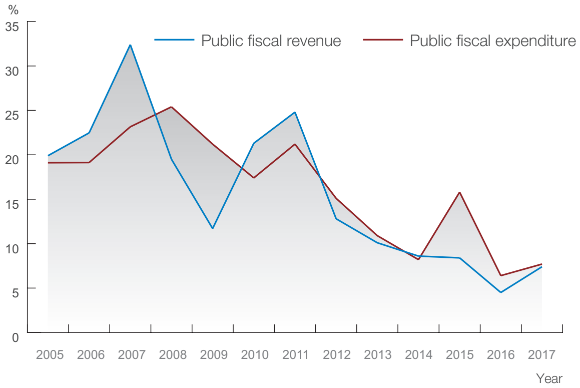


Source: National Bureau of Statistics

Growth of fiscal revenue and expenditure rebounded

In 2017, total general public budget revenue grew 7.4 percent year on year to RMB17.26 trillion, representing an acceleration of 2.9 percentage points from the previous year (on comparable basis, same hereinafter). This reversed the declining trend of revenue growth in the past few years (Figure 5). Among the total, general public budget revenue at the central level grew 7.1 percent to RMB8.11 trillion, accounting for 47.0 percent of the total general public budget revenue. General public budget revenue at the local level grew 7.7 percent to RMB9.14 trillion, accounting for 53.0 percent of the total general public budget revenue. In terms of the revenue structure, tax revenue grew 10.7 percent year on year to RMB14.44 trillion, accounting for 83.7 percent of the total general public budget revenue. Non-tax revenue dropped 6.9 percent year on year to RMB2.82 trillion, accounting for 16.3 percent of the total general public budget revenue. Total general public budget expenditures grew 7.7 percent year on year to RMB20.33 trillion, an acceleration of 1.3 percentage points from the previous year (Figure 5). Among the total, general public budget expenditures at the central level grew 7.5 percent to RMB2.99 trillion, whereas that at the local level grew 7.7 percent to RMB17.35 trillion.

Figure 5. Growth of Fiscal Revenue and Expenditure



Source: Ministry of Finance

Macroeconomic outlook

The current steady economic growth is expected to stay. The year 2018 is the first year to implement the decisions of the 19th CPC National Congress. It is also the 40th anniversary of China’s reform and opening-up and a critical year in building the moderately prosperous society and implementing the 13th Five-Year Plan. At present, China still has huge growth potentials, with much room for development in terms of new urbanization, services, high-end manufacturing, and consumption upgrading. The economy remains resilient with great potentials, ample policy space, and robust fundamentals for the longer run. China is at a critical period of transforming and upgrading the economy, shifting from the old to new growth drivers. The faster development in new technologies, new industries, new business, new models, new products, and new momentums, together with the relatively rapid growth of the service sector and consumption, have become the main engines behind optimising economic structure, shifting growth drivers, and the improving growth quality in recent years, rendering greater support to the steady, balanced, and sustainable economic development. Moreover, with the sustained and widespread recovery of the global economy, international trade and investment have rebounded, which will contribute to the stable economic development. At the same time, there are also challenges, such as the structural problems in the economy, the tasks to restructure and reform, financial de-risking and de-leveraging, the rise of protectionism, anti-globalization sentiment and populism worldwide that could cause tensions in international trade and investment, and the uncertainties in monetary policies of the advanced economies that could trigger turbulences in the international financial markets. In such a complicated domestic and external environment, China will continue to adhere to the guiding principles of seeking progress while maintaining stability, make comprehensive plans to implement various policies in a coordinated manner, guide and anchor expectations, and promote the sustainable, healthy and quality economic growth. As policies are carried out and begin to take effect, China's growth potentials will continue to unleash and the economy is expected to maintain its steady growth.

Overall price level will remain stable. Upward pressures could come with a range of intertwining and mutually-reinforcing factors, such as reducing the excess capacity, the environmental protection inspections, the rising commodity prices, the base effect, and the price reforms. That said, in the context where inflation remains subdued in major economies and where the domestic economic development remains stable, it is unlikely that the overall price level would rise rapidly. So the inflation will be well anchored.

The job market will be close to full employment, with household income expected to grow steadily. In recent years, China has deepened its economic reform, streamlined government administration, and promoted innovation-driven growth. Such reforms continue to unleash growth potentials and keep the economy growth at a medium-high rate. As the economic structure is being optimized, the quality of growth is improved, and per unit of GDP growth is generating more jobs, the job market and the sustained growth of household income will be further enhanced.

CHINA FINANCIAL PERFORMANCE

In 2017, China witnessed basically stable monetary and financial conditions, as liquidity in the banking system was kept at a reasonable and stable level, money, credit and social financing grew steadily in general, the loan structure continued to improve, interest rates remained basically stable, and the RMB exchange rate flexibility increased.

Growth of monetary aggregates moderated

At the year-end, outstanding broad money supply M2 grew 8.1 percent year on year to RMB169.02 trillion, outstanding narrow money supply M1 jumped 11.8 percent from a year earlier to RMB54.38 trillion, and outstanding currency in circulation M0 added 3.4 percent compared with the previous year, standing at RMB7.06 trillion. During the year, the net cash injection totaled RMB234.2 billion, a year on year decrease of RMB274.5 billion. Moderating growth of M2 mainly reflected that against the backdrop of deleveraging and gradual tightening of financial regulation, the use of funds by banks became better regulated and more funds were channeled to the real economy, as funds circulating inside the financial sector and the number of layers of financial products were reduced. Shortening the chain of funding will also help cut financing cost. As supply-side structural reforms advance and the economic structure improves, economic growth has become less reliant on money and credit. Besides, flow of funds and the velocity of money accelerated, as the endogenous drivers of growth became stronger. Thus, slower growth of money and credit still can help achieve steady and relatively fast economic growth. Experiences have shown that M2 typically outgrows nominal GDP by a large margin amid poor growth expectations and mounting downside pressure. By contrast, the gap between the two is small amid strong growth momentum and upbeat expectations. In the long run, as deleveraging continues and financial sector increasingly focuses on serving the real economy, a slightly slower M2 growth may become a norm.

Growth of social financing was reasonable

At end-2017, stock of social financing was RMB174.71 trillion, a year-on-year gain of 12 percent, 0.8 percentage point lower than that at end-2016. In 2017, incremental social financing posted RMB19.44 trillion, an increase of RMB1.63 trillion compared with 2016. Broken down by structure, local and foreign currency-denominated loans to the real economy and off-balance-sheet financing increased by a large margin, with local and foreign currency-denominated loans growing RMB13.85 trillion, an acceleration of RMB1.97 trillion year on year. Financing through entrusted loans, trust loans, and undiscounted bankers' acceptance combined stood at RMB3.57 trillion, an acceleration of RMB2.48 trillion from 2016. Direct financing declined a bit, as domestic bond and equity financing by non-financial enterprises totaled RMB1.32 trillion, decelerating RMB2.93 trillion from the prior year. In general, the financial sector played a big role in supporting the real economy in 2017.

Deposit growth at financial institutions was steady

At the year-end, outstanding RMB deposits jumped 9.0 percent year on year to RMB164.10 trillion, increasing RMB13.51 trillion from the beginning of the year, a deceleration of RMB1.36 trillion from 2016. The term structure showed that the share of demand deposits dropped. Demand deposits accounted for 45.2 percent of the new deposits of households and non-financial enterprises, shedding 11.2 percentage points from the previous year. Broken down by sector, deposits of households and non-financial enterprises grew RMB4.60 trillion and RMB4.09 trillion respectively, RMB564.9 billion and RMB3.16 trillion less than the growth in 2016, while those of non-bank financial institutions added RMB1.23 trillion, RMB1.31 trillion more than the growth in 2016.

Loan growth at financial institutions was relatively fast

At the year-end, outstanding RMB loans went up 12.7 percent year on year to RMB120.13 trillion, adding RMB13.53 trillion in 2017, an increase of RMB878.2 billion compared with the growth in 2016, a new record high. The term structure showed that the share of medium and long-term loans increased. In 2017, medium and long-term loans added RMB11.67 trillion, RMB1.83 trillion more than the growth in 2016, and accounted for 86.3 percent of the total new loans, up 8.5 percentage points over the previous year. Broken down by sector, growth of household loans continued to moderate albeit at high levels, as outstanding household loans surged 21.4 percent at the year-end, 2.1 percentage points lower than the growth at end-2016. In particular, new personal mortgage loans posted RMB3.98 trillion in 2017, a year on year fall of RMB826.9 billion compared with 2016, and the growth rate fell back to 22.2 percent at the year-end. Non-mortgage consumer loans grew considerably, adding RMB2.50 trillion, RMB1.20 trillion more than 2016. Loans to non-financial enterprises as well as government agencies and organizations saw a big rise, adding RMB6.71 trillion, RMB608.8 billion more than 2016.

Market rates were stable

In the first half of 2017, due to two rate hikes by the Fed, better-than-expected performance of the Chinese macro economy, and regulatory tightening, the money market rates moved upward across the board and had stabilized since the second half of 2017. In December, the weighted average rate of interbank lending and pledged repo among depository institutions stood at 2.91 percent and 2.72 percent respectively, up 0.48 and 0.42 percentage point respectively. The debt financing instruments were issued by non-financial enterprises at a weighted average rate of 4.82 percent, while the weighted average lending rate was 5.74 percent. During the year, lending rate increased less than the interest rate of bonds. Financing cost was not fully passed through to the real economy, as banks absorbed part of it. The financial cost of statistically large industrial enterprises rose 6.5 percent year on year. In particular, interest rate expenditures grew 3.8 percent compared with 2016, lower than the growth of loans and social financing during the corresponding period. It was also lower than the 10.8 percent growth of the cost of the principal business, which showed that the financing cost was kept at a relatively low level.

Bond yield curve flattened and moved upward

In 2017, the bond yield curve moved upward in general on the back of improving economic fundamentals in China, rising inflationary expectations, monetary policy tightening of the major advanced economies, and deleveraging. At the year-end, the yield on 1-year, 3-year, 5-year, 7-year, and 10-year government bonds was 3.79 percent, 3.78 percent, 3.84 percent, 3.90 percent, and 3.88 percent respectively, rising 114 bps, 100 bps, 99 bps, 91 bps, and 87 bps respectively over the end of 2016. The spread between 10-year and 1-year government bonds narrowed by 27 bps compared with the previous year, standing at 9 bps.

Interbank market bond index dropped, while stock indices were generally stable

At end-2017, the China Interbank Composite Bond Index (net price) closed at 97.97 points, sinking 4.25 points compared with end-2016, and the China Interbank Composite Bond Index (full price) closed at 113.37 points, dipping 3.98 points from end-2016. The China Government Bond Index at the Shanghai Stock Exchange (SSE) closed at 160.85 points, ticking up 1.06 points over the end of 2016. The Shanghai Composite Index closed at 3 307 points, gaining 203 points compared with a year ago, and the Shenzhen Component Index added 863 points over the end of 2016 to 11 041 points, while the growth enterprise board index slid 209 points to 1 753 points at the end of 2017.

The RMB appreciated somewhat against the US dollar

The RMB strengthened against the US dollar, but remained basically stable against a basket of currencies. At the year-end, the central parity of the RMB exchange rate against the dollar closed at 6.5342 per dollar, appreciating 6.16 percent compared with end-2016. The market exchange rate of the RMB against the dollar appreciated 6.72 percent over the end of 2016, closing at 6.5120 per dollar. The CFETS RMB exchange rate index and the RMB exchange rate index referring to the BIS currency basket were 94.85 and 95.93 respectively, strengthening 0.02 percent and weakening 0.32 percent respectively compared with a year earlier.

Balance of payments saw a self-fulfilling equilibrium

In 2017, China's current account surplus remained in the reasonable range, which was USD164.9 billion, or 1.3 percent of GDP. Non-reserve financial account ran a surplus of USD148.6 billion, reversing the deficit in the prior two years mainly as a result of stabilizing outbound investment and further increase in inward investment. Supported by the current account surplus and non-reserve financial account surplus, the size of the reserve assets continued to rebound, contributing to better balance of payments. Over a longer historical horizon, a self-fulfilling balance has primarily taken shape after over a decade long of net inflows and periodical net outflows. Foreign exchange reserves grew steadily and the RMB exchange rate against the US dollar has shown obvious two-way fluctuations. In general, external and internal market conditions have improved, and the RMB exchange rate expectations have diverged in a reasonable manner, which have further solidified the foundation for the self-fulfilling equilibrium in the balance of payments.

MONETARY POLICY

Facing a complex and changing environment both at home and abroad in 2017 and under the leadership of the CPC Central Committee and the State Council, the PBC responded to the major contradictions in Chinese society and the changes in its economic development by firmly implementing a new development philosophy of giving priority to quality and performance. In particular, the PBC implemented a prudent and neutral monetary policy, struck a better balance among stabilizing growth, adjusting the economic structure, deleveraging, and preventing risks, so as to foster an appropriate monetary and financial environment for supply-side structural reforms and high-quality development, and to stabilize leverage levels while maintaining a steady and rapid growth.

Further strengthen liquidity management to maintain reasonable and stable liquidity in the banking system

Since the beginning of 2017, factors that affected liquidity in the banking system had increased, amplifying the seasonal fluctuations and leading to changes in liquidity supply and demand. The PBC closely monitored the liquidity conditions and changing market expectations, while flexibly employing a variety of monetary policy instruments through well-paced operations, thus further enhancing the flexibility and effectiveness of liquidity management. In particular, the PBC provided liquidity of different maturities via instruments such as Medium-term Lending Facility (MLF) and repos, conducted open market operations in a flexible manner to smooth out liquidity volatility caused by various factors, and conducted 2-month repos while supplying other cross-year funding in advance to improve the financing stability. The PBC also introduced a new tool, called the Contingent Reserve Allowance (CRA), to cope with a transitory tightening of liquidity conditions due to the heavy demand for cash ahead of the Spring Festival.

Promote the transformation of the monetary policy framework and allow price to play its full role in the conduct and transmission of monetary policy

The PBC actively promoted the transformation of the monetary policy framework to further improve the management and transmission mechanism of monetary policy, explore the interest rate corridor system, and improve the transmission channel. First, the PBC further strengthened its ability to adjust interest rates. In doing so, the PBC consecutively conducted 7-day repo operations to send interest rate signals while raising the rates moderately in line with market conditions, and used the Standing Lending Facility (SLF) rates as the ceiling for the interest rate corridor and the MLF rates as the medium-term policy rates. Second, under the guidance of the PBC, the China Foreign Exchange Trade System (also known as the National Interbank Funding Center) launched the fixed repo rate for deposit-taking financial institutions (FDR, including overnight, 7-day, and 14-day maturities) and interest rate swaps with reference to FDR007 to improve the benchmark interest rate mechanism in the interbank market. Third, the PBC continued to foster a financial market benchmark interest rate system. In particular, the Shibor rate release time was adjusted from 9:30 am to 11:00 am to better reflect market interest rates, and its benchmark role was further enhanced.

Continue to improve the macro-prudential policy framework to further prevent systemic financial risks

In Q1 2017, the PBC included off-balance-sheet wealth management activities into the broad credit indicator, in order to assess the risks of off-balance-sheet businesses more comprehensively and accurately and to guide financial institutions to operate prudently. The PBC also included green financing in its assessments of credit policy implementation in the macro-prudential assessment (MPA) in Q3 2017, which first covered 24 systemically important financial institutions, to encourage financial institutions to engage in green financing. Starting from Q1 2018, the PBC began to include interbank certificates of deposit issued by commercial banks with assets above RMB500 billion in the MPA indicator of the interbank liability ratio, thus ensuring the interbank market fulfilled its basic function of liquidity allocations.

Explore the structural guidance role of monetary policy to support economic restructuring, transformation, and upgrading

The structural guidance role of monetary policy was tapped appropriately to guide financial institutions to provide stronger support for key fields and weak links. First, according to the arrangements of the State Council, the PBC implemented targeted Reserve Requirement Ratio (RRR) cuts for inclusive finance by expanding and optimizing the policy which was previously only applied to micro and small businesses and the agricultural sector, rural areas, and farmers. Second, the PBC improved the management of Pledged Supplementary Lending (PSL) and strengthened its restraint mechanisms. It is up to the borrowing banks to decide on the use of PSL funds and the lending rates in line with principle of cost recovery and mean profits, so as to reduce financing costs of the real economy. Third, the PBC effectively used credit policy supporting central bank lending and central bank discount while raising their quotas appropriately. Fourth, the PBC steadily advanced the pilot program for credit asset pledging and central bank internal rating mechanism in order to effectively address the problem of insufficient eligible collaterals from local small and medium-sized financial institutions in applying for central bank lending.

Deepen the reform of the RMB exchange rate regime in an orderly manner to enhance two-way currency flexibility

The PBC further improved the market-based RMB exchange rate regime and adjusted the counter-cyclical macro-prudential policies to neutral levels as necessary. As a result, the RMB exchange rate fluctuated against the US dollar in both directions amid its appreciation and remained generally stable against a basket of currencies. First, the Foreign Exchange Self-Disciplinary Mechanism shortened the reference period for the central parity against the currency basket from 24 hours to 15 hours between 4:30 pm on the previous trading day and 7:30 am, while introducing a “counter-cyclical factor” in the quotation model for the central parity rate in a bid to appropriately offset the pro-cyclical volatilities driven by market sentiment, and therefore to better reflect economic fundamentals. Second, the PBC unified its rules for managing external debts of both foreign and domestic financial institutions, thus further improving the macro-prudential management of overall cross-border financing. Third, in moving macro-prudential policies back to neutral, the PBC adjusted the risk reserve ratio for foreign exchange forward trading and applied a normal RRR on deposits made by offshore financial institutions in domestic financial institutions.

In general, the prudent and neutral monetary policy yielded positive results. While effectively curbing financial leverage, it helped maintain stable and fairly rapid economic growth. Liquidity in the banking system remained neutral and appropriate; money, credit, and all-system financing aggregates witnessed steady growths; interest rates were at appropriate levels; and the flexibility of the RMB exchange rate against the US dollar was further enhanced, with more obvious two-way fluctuations and well-anchored exchange rate expectations.

Monetary policy outlook

In 2018, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era, the PBC will thoroughly study and implement the spirit of the 19th CPC National Congress, while implementing the overall arrangements of the Central Economic Work Conference, and the National Financial Work Conference. Following the requirements for promoting high-quality development, the PBC will act in response to the evolution of the major contradictions in Chinese society. In particular, the PBC will implement a prudent and neutral monetary policy, maintain a reasonable and stable level of liquidity, and improve the two-pillar regulatory framework underpinned by monetary and macro-prudential policies. It will also actively advance the reform of the financial sector while forestalling systemic risks, adopt measures to optimize the credit structure so as to ensure steady growth, deepen reform, make structural adjustments, improve living standards, and prevent risk. The PBC will continue to foster a neutral and appropriate monetary and financial environment for supply-side structural reforms and high-quality development.

First, the valve of aggregate monetary supply will be well controlled, in order to maintain a reasonable and stable level of liquidity in the banking system, and promote a reasonable growth of money, credit, and all-system financing aggregates.

Second, the MPA will continue to be implemented to prevent systemic financial risks and to make counter-cyclical adjustments.

Third, the structural guidance role of monetary and credit policy will be brought into full play to further optimize credit structure.

Fourth, the market-based interest rate reform will continue to advance in an orderly manner so that the market could play a decisive role in resource allocation.

Fifth, the market-based exchange rate regime reform will be deepened to improve the market-based pricing mechanism for the RMB exchange rate.

COLUMN

Establishing the Two-pillar Framework of Monetary and Macro-prudential Policies

Enhancing the two-pillar adjustment framework of monetary and macro-prudential policies is a clear requirement in the report delivered at the 19th National Congress of the CPC. It is an important initiative based on the reflection of the Global Financial Crisis (GFC) with full consideration of Chinese circumstances. The two-pillar framework will help promote financial stability while maintaining the value of the RMB, fundamentally enhance the efficiency of financial management, prevent systemic risks, and maintain macro-economic stability and national financial security.

Enhancing the two-pillar framework is imperative to improve the macro-economic management policy framework and promote quality growth. The objective of monetary policy is to smooth out fluctuations in economic cycles with counter-cyclical adjustments and to maintain price stability, but price stability does not necessarily mean financial stability. The macro-prudential policies can directly focus on the financial system with an emphasis on containing the pro-cyclical nature of the system and risk contagions across markets, so as to maintain stability of the financial system. Therefore, the combination of monetary and macro-prudential policies can help better integrate the two objectives of price stability and financial stability, which are mutually supportive and reinforcing.

After the GFC, the international community has attached greater importance to macro-prudential policies to fill the gap left by the original adjustment framework. A trend emerged in which countries started to combine the monetary and macro-prudential policies. Since then, a number of central banks have essentially established the components of the two-pillar adjustment framework by setting up inter-agency committees in charge of coordinating macro-prudential management and financial supervision. For example, in Britain, the central bank has the functions of monetary policy, macro-prudential policy, and micro-prudential regulation. In addition to the Monetary Policy Committee, it also established a Financial Policy Committee in charge of macro-prudential regulation. In the euro area, a macro-prudential policy framework was established with the ECB at the center and the ECB and national prudential authorities jointly responsible for the macro-prudential policy framework. This has ensured that the macro-prudential and monetary policies are more closely combined.

In recent years, the PBC has made great efforts to develop the two-pillar adjustment framework of monetary and macro-prudential policies with good achievements. On the one hand, the PBC promoted the shift of monetary policy framework from mainly relying on quantitative instruments to mainly relying on price instruments in a proactive and prudent manner. To achieve it, the PBC developed numerous monetary policy tools, kept liquidity basically stable, enhanced the capacity to adjust the interest rates, and improved the transmission channels. On the other hand, the PBC developed and improved its macro-prudential policy framework, with much of the efforts quite innovative even from a global perspective.

First, the dynamic adjustment mechanism of the differentiated reserve requirements was introduced in 2011 to align the credit expansion of financial institutions with the rational demand of economic growth and the capital adequacy of financial institutions. This mechanism ensured that financial institutions are refrained from excessive expansion or excessive leveraging. In 2016, to respond to financial market developments and innovations, the dynamic adjustment mechanism of the differentiated reserve requirement ratios was upgraded into the MPA system to include more financial activities and asset-expansion behaviours into macro-prudential regulation. According to the MPA, the PBC started to guide the behaviours of financial institutions by looking at seven major aspects of their operations to carry out counter-cyclical adjustments. In 2017, off-balance-sheet wealth management was included in the MPA broad credit indicator to guide financial institutions to step up risk management in off-balance-sheet businesses. In 2018, interbank certificates of deposit will be included in the MPA indicator of the interbank liability ratio assessment. Second, cross-border capital flows have been included in macro-prudential regulation. Open, transparent, and market-based measures have been adopted to promote the sound operations of financial institutions and to maintain financial stability. These measures have focused on two dimensions (i.e. the foreign exchange market and cross-border financing) and two practices (i.e. leveraged financing and short-term speculations with financial institutions' proprietary funds). Third, the macro-prudential regulation for the real estate market was strengthened and a housing credit macro-prudential regulatory framework was launched, with a city-specific housing credit policy as its major component. After implementing these policies, liquidity in the banking system has been generally adequate, money, credit, and all-system financing aggregates have been growing steadily, most banking institutions have operated in a sound manner, leveraging and speculative practices have been curtailed to a certain extent, and the normal financing demands of corporate and household sectors have been met. The combination of monetary and macro-prudential policies has created a neutral and adequate monetary and financial environment, prevented systemic financial risks, preserved financial stability, and promoted sustainable and sound macro-economic development.

Going forward, the PBC will continue to improve the two-pillar framework of monetary and macro-prudential policies in accordance with the strategy of the CPC Central Committee and the State Council. The monetary policy framework will be further enhanced, including strengthening price-based adjustments and transmission, deepening the market-based interest rate and exchange rate regime reforms, and allowing price to play its key role in optimizing resource allocation. The PBC will continue to develop the macro-prudential policy framework to cover new areas such as the shadow banking and Internet finance. It will also further improve the parameter settings of the MPA system. Moreover, macro-prudential regulation for cross-border capital flows will be further optimized and the governance structure of the monetary and macro-prudential policies will be improved so as to promote the modernization of the financial governance system and its capabilities.

CREDIT POLICY

In 2017, with commitments to the new development philosophy, the general principle of seeking progress while maintaining stability, and to treating supply-side structural reform as the main task, the PBC made innovations in credit policy implementation, improved evaluations of the effects of credit policies, strengthened the structural adjustment of credit policies, helped to revitalize the real economy, and promoted economic structural transformation and upgrading. These measures therefore effectively improved the quality and efficiency of national economic growth and promoted sustainable and sound development.

Strengthen coordination among credit, industrial, and regional policies to promote economic structural improvement and upgrading

The PBC spearheaded efforts to issue guidance on providing financial services to build China into a manufacturing power, especially increasing financial support to "Made in China 2025" strategy. At the year-end, outstanding medium and long-term loans to the manufacturing sector posted RMB3.1 trillion, up 3.6 percent year on year. To help reduce excess capacity, the PBC guided financial institutions to provide financial services to promote the transformation and upgrading of, and to overcome difficulties in the iron and steel and coal industries. The institutional reform of investment and the financing of the railroad system were deepened, in order to support the scientific development of railroad construction. A mechanism was put in place to match banks with enterprises to assist in the endeavors of shipbuilding companies and marine engineering equipment producers to transform and upgrade. Efforts were made to serve the strategy to "build a strong oceanic state" and to achieve "military-civilian integration". In particular, the PBC took the lead in unveiling guidance on improving financial services for the maritime economy, and continued efforts on providing financial services to deepen military-civilian integration. Efforts were made to make innovations in the modes of providing financial support, which helped to foster new types of consumption, such as elderly care, health, and green consumption, and to accelerate the development of areas such as domestic trade circulation, and logistics. The PBC improved the green credit mechanism to help strengthen environmental protection as well as resources conservation and utilization. Joint efforts were made to advance pilot programs which introduced the new financing model of credit plus equity financing, and which combined finance with science and technology, so as to increase financial investments in scientific and technological innovation. The amended *Regulations on Automobile Loans* was released, which lowered the down-payment ratio for new energy automobiles, in order to enhance support for automobile consumption and to promote the development of industries such as energy conservation and new energy automobiles. Financial services were provided for the coordinated development of the Beijing-Tianjin-Hebei region, and the development of Xiong'an New Area. Specifically, the PBC held seminars on financial support for the coordinated development of the Beijing-Tianjin-Hebei region to enhance financial support for major national strategic areas, while exploring financial policy measures to help develop the Xiong'an New Area. Financial services were provided to the Belt and Road Initiative, development of the Yangtze Economic Belt, the Western

China Development Drive, the revitalization of Northeast China, and other major national strategic areas, in order to promote coordinated regional development.

Continue 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 deepened rural financial reforms and innovations by speeding up work on the development of the organizational system of finance in rural areas, and advancing in a measured manner the pilot program of loans collateralized with operational rights of rural contracted land and rural housing property. The PBC also 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 rural areas. Meanwhile, financial services were provided to support grain purchases and to accelerate the pace of overseas development of agriculture, while financial services were improved for small and micro businesses comprehensively, with a focus on small and micro businesses with the credit line for a single client below RMB5 million, and targeted RRR cuts were implemented for inclusive finance. Large and medium-sized national commercial banks were encouraged to prioritize the set-up of divisions for inclusive finance, thus ensuring good financial services for small and micro businesses. A special project for accounts-receivable financing of small and micro businesses was carried out, while loans pledged with intellectual property rights, equity, forest ownership, and future proceeds were promoted. Agricultural firms and small and medium-sized enterprises (SME) were encouraged to issue non-financial enterprise debt financing instruments, while eligible financial institutions were given support to issue financial bonds for lending to agriculture, rural areas, and farmers, as well as to small and micro businesses. At the year-end, outstanding agro-related loans and loans to small and micro businesses registered RMB30.95 trillion and RMB24.3 trillion, respectively, up 9.6 percent and 16.4 percent year on year.

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

The PBC played a leading role in issuing the notice on promoting financial support for poverty alleviation in deeply impoverished areas, which required financial institutions to prioritize providing new funds and services in deeply impoverished areas. It also strengthened information sharing, statistics and monitoring, and thematic assessments of targeted poverty reduction programs, improved fund-raising and management for the relocation of residents in poverty-stricken areas, and intensified policy implementation of micro credit for poverty alleviation, student loans, and loans to the disabled living in poverty. At the year-end, outstanding loans to people registered in poverty documents and those out of poverty posted RMB600.8 billion, up 46.18 percent year on year, while outstanding loans to targeted poverty reduction registered RMB897.1 billion, up 48.5 percent year on year. Meanwhile, employment and entrepreneurship of registered unemployed in the cities, college graduates, and migrant workers returning home were advanced, supported by a better implementation of policies on collateralized entrepreneurship loans, whose outstanding at the year-end stood at RMB92.0 billion nationwide. 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. Efforts were also made to allow students from both private and public universities to enjoy the same student loan policy, through which the PBC cooperated with the relevant departments to release a notice on further implementation of financial aid policies for students in higher education. At the year-end, outstanding student loans nationwide posted RMB92.9 billion.

Strengthen macro-prudential management of real-estate finance

The PBC implemented a differentiated housing credit policy following the principle of adopting city-specific measures, and supported local governments in various cities to fulfill their primary responsibility in real estate regulation. It also improved macro-prudential management of real estate finance, guided personal mortgages in commercial banks to grow at a reasonable pace while preventing the leverage ratio in the household sector from rising too fast. At the year-end, outstanding personal mortgages rose by 22.2 percent year on year, which was 14.5 percentage points lower than the growth at end-2016. In strictly implementing housing credit policy, the PBC guided commercial banks to strengthen the management of consumer loans, and issued directives along with Ministry of Housing and Urban-Rural Development, and China Banking Regulatory Commission to cracked down on non-compliance, such as down-payment lending. The PBC also took the lead in reviewing and standardizing illegal flowing of all kinds of funds into the property market. Moreover, the PBC guided financial institutions to support housing rentals with relevant financial products and innovative financial services, while regulating their related activities.

Provide financial services for local government debt management

In collaboration with the Ministry of Finance, the PBC improved policy framework for local government debt management to regulate local government borrowing and financing, and strengthened work on local government debt swaps and bond issuance. Financial institutions were prohibited from providing funding to local governments in violation of laws and regulations, and were urged to strengthen the evaluation for project financing related to local government debt, and to extend loans consistent with market principles. Efforts were also made to ensure standards were in place for the financing behavior of urban development investment corporations, and their information disclosure improved.

Promote development of the asset securitization market

Pursuing a market-based, regulated, and transparent market, the PBC improved the operation mechanism of the asset securitization market by expanding market size and optimizing market functions in an active and orderly manner. During the year, financial institutions issued 133 credit asset-backed securities (ABS) in the amount of RMB597.2 billion. At the year-end, outstanding ABS registered RMB872.08 billion, an increase of 21 percent year on year. Moreover, the PBC advanced the pilot of distressed assets securitization in an orderly manner, and promoted the well-regulated development of securitization of enterprise assets while making steady progress in asset securitization of PPP projects.

COLUMN

Provide Financial Services to Key Areas and Weak Links of the Real Economy

In 2017, in line with the decision and arrangement of the CPC Central Committee and the State Council, the PBC firmly promoted financial services to support supply-side structural reform, targeting key areas and weak links of the real economy.

It implemented prudent and neutral monetary policy to create a neutral and proper monetary and financial environment for supply-side structural reform and high-quality development. To keep banking liquidity at a reasonable and stable level, the PBC guided the steady and moderate growth of money and credit as well as social financing by employing a mix of liquidity management tools, including repos, MLF, and SLF. It also actively explored the use of central bank lending, discount, PSL, and targeted RRR to support small and micro businesses, agriculture, rural areas and farmers, and poverty alleviation. These tools were adopted to address structural problems so as to step up support for key areas and weak links of the national economy.

It enhanced the guiding role of credit policy when providing financial services to key areas of the national economy and key regions. Policy measures were unveiled to beef up financial support for building China into a manufacturing power. Guidance was offered to banking financial institutions to ensure that rational financing needs of the steel and iron as well as coal industries with excess capacity can be met when they pursued transformation, based on the principle of differentiated treatment by supporting some while suppressing others. This move was aimed at supporting good enterprises, stabilizing problem enterprises, and exiting "zombie enterprises". Financial support for major national strategies was also intensified, including the coordinated development of Beijing, Tianjin and Hebei province, development of Xiong'an New Area, growing into a maritime power, and military-civilian integration. Investment and financing measures for other key areas and industries were also improved, such as new types of urbanization, underground pipe lines, new materials, shipping, railways, logistics, and energy.

It deepened financial services for science and technology innovation and the services sector to actively foster new growth drivers. The PBC guided financial institutions to enhance cooperation with mass innovation and entrepreneurship demonstration bases as well as with vehicles for mass innovation and entrepreneurship such as various innovation incubators. The combination of technology with finance was promoted on a trial basis to encourage deep participation of financial capital in technology innovation. Special mass innovation and entrepreneurship debt financing instruments were introduced to provide financing to enterprises featured with innovation and entrepreneurship, while credit support was stepped up for new types of consumption, such as old age care and healthcare. Efforts were made to develop demonstration zones for culture-finance cooperation, and encourage financial institutions to increase intellectual property rights (IPR) pledged loans to cultural and creative enterprises with core IPR. At the year-end, outstanding medium and long-term loans to scientific research and technological services, culture and sports, and the entertainment industry stood at RMB364.2 billion, a year-on-year increase of 8.43 percent. Nine mass innovation and entrepreneurship debt financing instruments were registered with a total value of RMB17 billion.

The PBC speeded up rural financial reform and innovation to promote agriculture supply-side structural reform. The pilot reform of financial business unit for agriculture, rural areas, and farmers in the Postal Savings Bank of China was promoted nationwide. 2 097 county-level sub-branches of the Agricultural Bank of China were reformed into financial business units for agriculture, rural areas, and farmers. The ownership reform of rural credit cooperatives continued to deepen. Financial institutions were encouraged to explore lending secured with agricultural machinery, agricultural production facilities, and movable assets to support the moderate scope of business in agriculture. The PBC steadily pushed forward the pilot program of loans collateralized by the operational rights for contracted farming land and rural housing property, and promoted the extension of this pilot to December 31, 2018 by the Standing Committee of the National People's Congress. At the year-end, outstanding loans collateralized by the operation right of rural contracted land and farmers' property right posted RMB31.9 billion and RMB21.7 billion respectively in the pilot areas, surging 118.61 percent and 68.52 percent. The PBC actively assisted in autumn grain procurement and the institutional reform of grain procurement and storage to ensure sufficient funds for grain procurement. At the year-end, the broad agro-linked loans grew 9.6 percent, up 2.5 percentage points over a year earlier.

It enhanced and improved financial services for small and micro businesses (SMBs) to inject more vitality into market economy. The PBC expanded the targeted RRR cuts to promote financial inclusion, covering SMB loan and business operation loans to the self-employed and SMBs with loans less than RMB5 million each. The move came as a way to stimulate the inherent motivation of financial institutions. The PBC led the effort to publish the *Work Program for the Special Campaign on Account Receivable Financing by Small and Micro Businesses (2017-2019)*, to encourage financial institutions and key enterprises on the supply chain to support the receivables financing by SMB suppliers. A nationwide work conference on SMB financial services was held to strengthen policy outreach and communication. At the year-end, loans to small businesses jumped 15.3 percent, while loans to micro businesses rose 24.8 percent, both considerably higher than the growth rate of other types of loans.

The PBC also firmly focused on financial services for targeted poverty alleviation, and facilitate the battle against poverty. The PBC made good use of the leading role of financial services in poverty alleviation by improving information exchange, statistics and monitoring, and policy effect assessment, launching the pilot reform of interest rate pricing mechanism for poverty alleviation central bank lending, putting in place a filing system for poverty-stricken households, and driving the growth of firms run by poverty-stricken households. Guidance was offered to the China Development Bank and the Agricultural Development Bank of China to help them engage in relocation programs of poverty alleviation and meet the relevant financing demand, with RMB146.5 billion of special financial bonds issued cumulatively. Innovative debt financing instruments such as poverty alleviation social impact bonds and poverty alleviation bills were issued, totalling RMB7 billion. The PBC released the *Opinions on Providing Financial Support to the Battle against Poverty in Deeply Impoverished Regions*, requiring new financial resources be first channeled to and new financial services first made available in deeply impoverished regions. At the year-end, targeted poverty alleviation loans across the country jumped 42.6 percent year on year, 30.5 percentage points higher than other types of loans.

LAW-BASED GOVERNANCE IN THE FINANCIAL SECTOR

In 2017, the PBC made efforts to enhance key financial legislation, improved central banking rules and administration, deepened "delegation of power, regulation, and service" reforms, conducted administration in accordance with the law, improved law-based governance, and strengthened the building of a strong contingent of personnel for law enforcement. All these efforts provided a legal basis for efficient management of the central bank.

Promote financial legislation in key areas

The PBC promoted the revision of the *Law of the People's Bank of China*, organized seminars and exchanged experiences on post-crisis international supervision, financial risks prevention, as well as the role and responsibilities of the central bank. These efforts provided a solid theoretical foundation for the financial legal system. The PBC cooperated with the Legal Office of the State Council to promote the formulation of the *Rules for Non-depository Lending Entities*, and conducted relevant research and verification. It also cooperated with national legislative authorities to promote important financial legislation such as the revision of the *Law of Securities* and the *Law of Futures*.

Actively fulfill the PBC's obligations in relevant legislation

The PBC worked in tandem with the National Congress and entities with corresponding eligibilities to formulate and revise relevant rules and laws such as the *Law of E-commerce,* the *Law Against Unfair Competition*, and the *Implementation Rules of Budget Law*. The PBC cooperated with the Anti-monopoly Committee of the State Council to improve the legislation. Besides, it formulated the *Tentative Implementation Rules on the Examination and Approval of Fair Competition*, launched implementation rules, and enforced relative rules within the PBC system.

Improve the institutional foundation of PBC rules and regulations

The PBC formulated and launched three ministerial rules, i.e. the *Interim Measures for the Administration of Mutual Bond Market Access between the Chinese Mainland and Hong Kong SAR*, the *Administrative Rules on Auto Loans*, and the *Measures for the Registration of the Pledge of Accounts Receivable*. It also issued 44 normative documents covering money and credit policies, financial market development and stability, financial services, the expansion of opening-up, and anti-money laundering and countering financing of terrorism AML/CFT. These rules and normative documents effectively guaranteed law-based administration of the PBC, promoted financial services for the real economy, prevented financial risks, and deepened financial reforms. Meanwhile, the PBC made comprehensive clean-up of the rules and normative documents since its establishment, those relating to "delegation of power, regulation, and service" reforms in particular. The PBC confirmed that there were 61 effective rules and regulations, 386 normative documents, issued the *Catalog of Effective Rules and Regulations of the PBC* and the *Catalog of Main Normative Documents of the PBC*, making the institutional foundation of law-based administration more clarified.

Deepen “relaxation, management and serving” reforms

The PBC will further streamline government administration and delegate more powers. The PBC abolished the permit for the binding and layouts of RMB banknotes, reduced import and export management catalog for gold and gold products from 13 to 10, and expanded “non-a group of a card” ports from 6 to 10. The PBC also promoted standardized administrative approval, formulated examination and appraisal plans, conducted self-examination, and finished on-site assessment organized by the Office of Public Sector Reforms of the State Council. It cleaned up and standardized charges related to enterprises, made legality and reasonableness analysis on charges made by entities affiliated to the PBC, and promptly made suggestions and opinions to relevant departments. The pilot reforms on the administrative punishment of empty checks were carried out smoothly in 8 provinces, autonomous regions, and municipalities. As a result, the PBC shifted from punishment-focus management to source management, in-the-event government, administrative punishment and credit constraint, and optimized and improved the administrative mechanism of check.

Promote law-based administration

The PBC implemented the *Implementing Measures for Law-based Governance of the Central Bank*, and made marked achievements. The PBC timely adjusted the composition of the Commission of Administrative Punishment and the Commission of Administrative Review, and improved the mechanism on the procedures for law-based administration. The PBC strengthened the legal review for contracts, agreements, administrative law enforcement documents, and decision making of “three importance and one greatness”, strengthened open legal examination of government information and the reply of complaints reporting, and handled administrative disputes properly. Targeting the weak links in duty fulfillment and legal risks in administrative review and litigation, the PBC improved law-based administration promptly.

Effectively focus on key aspects in duty fulfillment

Focusing on key issues in deepened financial reforms such as strengthening macro-prudential management and curbing financial irregularities, the PBC launched specific studies on the governance of law, and guaranteed the smooth movement of various work on the basis of law. The PBC provided legal guarantee for the specific campaign on the correction of Internet finance risks. The PBC played the leading role and worked with relative ministries to promote the prevention of and crack-down on dirty money transfer by offshore companies and underground banks, established a long-term mechanism, and maintained the high-pressure situation.

Strengthen the building of a strong contingent of law enforcement personnel

The PBC formulated and implemented the *Administrative Measures of Legal Consultants and Public-employed Lawyers of the PBC*, and the PBC headquarters and most branches employed perennial legal consultant, and strengthened the building of a strong contingent of personnel for law enforcement. The PBC formulated and issued the *Opinions of the People’s Bank of China on Further Strengthening the Response of Administrative Litigation*, strengthened its capabilities to respond to administrative litigation, finished the development of the information system for law-based governance in the financial sector, and improved the standardization and efficiency.

FINANCIAL STABILITY

In 2017, the Chinese economy showed better-than-expected performance featuring stable and sound developments, and the economic growth became significantly more stable, better coordinated, and more sustainable. However, financial risks arose occasionally, as global and domestic economic and financial developments remained complicated and challenging. Occurring on a broader basis, the risks were hidden, complex, contagious, and harmful, with sudden occurrence. The PBC put preventing financial risks at a more prominent place and stepped up efforts to prevent and mitigate systemic financial risks, including firmly pushing forward financial reform and development, improving deposit insurance scheme, getting deeply engaged in international financial affairs, completing the updated assessment under the China Financial Sector Assessment Program (FSAP), and continuously intensifying work on central bank lending and asset management for financial stability purposes. All these efforts were intended to secure the bottom line of preventing systemic financial risks.

Earnestly monitor and assess risks to financial stability

The day-to-day monitoring and reporting regimes were improved at all types of financial institutions and non-financial institutions with funding functions. The PBC analyzed and assessed risk events that may affect financial stability, tightened requirements for financial risk assessment, increased sensitivity of risk monitoring, and fully took stock of risks at all types of institutions. Risk monitoring of large problem enterprises was enhanced and risk events were reported in a timely fashion. 33 large and medium-sized banks participated in stress test. The *2017 China Financial Stability Report* was published. The PBC also steadily pushed forward work on credit ratings of financial institutions assigned by the central bank through studying and formulating the administrative measures and indicator system for such central bank credit ratings.

Strengthen financial risk prevention in key areas

In line with the overall arrangement of the State Council, the PBC formulated and implemented the ad hoc action plan to prevent major risks in financial sector, with special focus on banks' operation and asset quality, securities institutions and various local exchanges, the use of insurance funds, and the asset management sector. Efforts were made to fully identify potential risks, mull over preventive measures, develop contingency plans, and assess measures already taken and the effects. While actively promoting market-based debt-for-equity swaps, the PBC carefully studied emerging issues and corresponding solutions.

Address regulatory weakness and reinforce the financial risk firewall

The PBC improved the regulatory regime for systemically important financial institutions (SIFIs), and strengthened the identification, regulation, and risk resolution of SIFIs. It spearheaded the drafting of the *Guiding Opinions on Regulating the Asset Management Activities by Financial Institutions* to set down single standards and regulations for key issues arising from asset management, including multiple packaging, unclear leverage, regulatory arbitrage, and implicit guarantee. Efforts were made to formulate measures for supervising and regulating financial holding companies to prevent risks from its unchecked growth. The *Opinions on Strengthening the Regulation of Investment by Non-financial Enterprises in Financial Institutions* was rolled out to provide clear guidance, enhance regulation, and prevent risk cross-contagion between financial and real sectors to promote sound interactions between non-financial enterprises and financial institutions. The PBC also led the effort to steadily push forward the revision of regulations on interbank business.

Implement the deposit insurance scheme in a steady and well-sequenced manner

Work on premium collection and having financial institutions insured proceeded smoothly, with the ratio of depositors insured for deposits up to 500 thousand yuan at deposit-taking financial institutions remaining stable at 99.6 percent. The PBC continued to promote risk-based differentiated premium and conducted deposit insurance risk ratings for 2017. Risk monitoring of insured institutions was enhanced, with a list of problem institutions identified. The PBC actively issued risk warnings to institutions with prominent issues, followed with early corrective measures so as to mitigate risks. The deposit insurance was given full play in risk resolution, while the *Measures for Risk Monitoring, Early Correction, and Risk Resolution under the Deposit Insurance Scheme* was drafted to pursue early risk identification and law-based risk resolution. Efforts were made to steadily advance the development of deposit insurance information system and actively promote outreach activities and business trainings.

Deeply participate in global discussion on financial stability

The PBC continued to be deeply engaged in the work by international organizations, such as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), by voicing the concerns of emerging markets, actively sharing China's experience in systemic risk prevention, macro-prudential institutional reform and FinTech, and participating in the rule-making and implementation of financial regulatory reform. Efforts were made to help China's global SIFIs (G-SIFIs) put in place effective resolution mechanisms, and conduct a resolvability assessment of China Construction Bank jointly with the China Banking Regulatory Commission.

Successfully complete the FSAP update

In December 2017, the International Monetary Fund (IMF) and the World Bank Group concluded China's FSAP update by simultaneously publishing five core reports, including China Financial System Stability Assessment, China Financial Sector Assessment, and the detailed assessments of observance of standards and codes for banking, securities, and insurance sectors. The FSAP is helpful in showing to the world the recognition of China's achievements in financial reform and development by the IMF and the World Bank, which will lay a solid foundation for China to deepen participation in making and revising international financial standards and codes.

Continue to strengthen work on central bank lending and asset management for financial stability purposes

The PBC fulfilled its responsibility for administering central bank lending for financial stability purposes by strengthening loan recovery to protect claims through a multi-pronged approach, taking into account specific circumstances of borrowing financial institutions, such as the exit, restructuring, bankruptcy, clearing, and guarantee arrangements. The administration of special lending to local governments was enhanced so as to urge local governments to honor repayment commitment. Efforts were also intensified regarding the day-to-day monitoring and administration of central bank lending for financial stability purposes to further improve loan recovery arrangements. Asset management and resolution aimed at maintaining financial stability were also stepped up.

Fully implement the reform plans for development financial institutions and policy banks

The PBC continued to fully carry out the reform plans for the China Development Bank (CDB), the Export-Import Bank of China (Exim Bank), and the Agricultural Development Bank of China by implementing reform measures, such as setting up a board of directors, improving governance structure, and defining business scope jointly with other members of the working group on reforms. A new board of directors was formed at the CDB on November 6, 2017, while the Exim Bank established a board of directors on January 15, 2018. Besides, the PBC also actively assisted other departments in improving risk compensation mechanism and drafting prudential regulations.

Continue to advance the reform of large commercial banks and other financial institutions

The Industrial and Commercial Bank of China, Agricultural Bank of China (ABC), Bank of China, China Construction Bank, and Bank of Communications continued to deepen reforms, making improvements in corporate governance, risk management, and internal control, with business maintaining sound development across the board. The reform to establish the agro financial unit at the ABC continued to deepen, with financial services for agriculture, rural areas, and farmers expanding in both width and depth. As of the year-end, outstanding loans at the county business unit at the ABC stood at RMB3.57 trillion, increasing RMB390.9 billion compared with the beginning of the year, up 12.30 percent, 0.91 percentage point higher than the overall growth of loans at the ABC. The PBC continued the work to turn asset management companies into commercial institutions. The China Orient Asset Management Co. Ltd. and China Great Wall Asset Management Co. Ltd. actively pushed forward the work on introducing strategic investors.

COLUMN

Promoting Regulated and Sound Development of the Asset Management Business of Financial Institutions

In recent years, the asset management business, as a typical cross-sector and cross-market business, witnessed rapid development in China, with broad participation of various financial institutions and skyrocketing trading size. As of end-2017, the outstanding balance of off-balance sheet asset management products of banks stood at RMB22.2 trillion, while that of entrusted asset management products of trust companies posted RMB21.9 trillion. In the meantime, the assets under management of public funds, private equity funds, asset management plans of securities companies, asset management subsidiaries of funds as well as asset management plans of insurance companies reached RMB11.6 trillion, RMB11.1 trillion, RMB16.8 trillion, RMB13.9 trillion, and RMB2.5 trillion respectively. The above-mentioned statistics did not eliminate cross-calculation. Moreover, such non-financial institutions as Internet companies and various investment consultancy companies were also actively involved in the asset management business.

Asset management business plays a positive role in meeting the wealth management demand of residents, optimizing social financing structure, and supporting the development of the real economy. However, the inconsistency in the regulatory rules and standards of the asset management business as to the investment scope, qualified investors, and liabilities management gave rise to rampant regulatory arbitrage. For some products, multi-layered nesting complicated risk exposure, while others became disguised channels for removing credit assets from the balance sheet. The implicit unconditional payment of these products disrupted macroeconomic adjustment, pushed up the social financing costs and led to the formation of a shadow banking system that was outside the official financial system without adequate supervision. All these malpractices would negatively impact the quality and efficiency of financial sector's service to the real economy and aggravate cross-sector and cross-market risk contagion.

Under the leadership of the CPC Central Committee and the State Council, the PBC, in collaboration with the CBRC, the China Securities Regulatory Commission (CSRC), the China Insurance Regulatory Commission (CIRC) and the State Administration of Foreign Exchange (SAFE), formulated the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* (hereinafter referred to as the *Guiding Opinions*) based on addressing regulatory weaknesses and enhancing regulatory effectiveness and in a problem-oriented manner, in light of actual operation of the asset management business by various financial institutions and regulatory experiences. The *Guiding Opinions* started to solicit public opinions on November 17, 2017. The PBC made conscientious investigation into the feedbacks together with the other related departments and absorbed reasonable public opinions, based on which the amendment to the *Guiding Opinions* was made.

The purpose of the *Guiding Opinions* is to harmonize regulatory standards in line with the classification of asset management products so as to apply consistent regulations to the same asset management business, ensure fair market entry and regulation, eliminate to the largest degree possible regulatory arbitrage, create a conducive institutional environment for the sound development of the asset management business, effectively control financial risks, and better serve the real economy. The main contents of the *Guiding Opinions* are as follows:

First, standards for asset management products classification are specified. Asset management products can be classified into publicly-placed products and privately-placed products according to channels of fund-raising, or fixed income products, equity products, commodity and financial derivatives products, and hybrid product in line with the nature of investments. Different regulatory requirements are applied to different types of products, including investment scope, leverage limit, and information disclosure, to reinforce the principle that appropriate products are sold to appropriate investors.

Second, risks of shadow banking will be mitigated. The asset management businesses will be guided to go back to the original purpose, by stipulating the core elements for defining standard credit assets. The investment in asset management products in non-standard credit assets need to comply with relevant regulations as to quota management and liquidity management to avoid making the asset management business into the credit business under disguise.

Third, liquidity management will be strengthened. Financial institutions are obliged to enhance liquidity management by managing asset management products in a separate account, so as to improve maturity match between the asset management products and the underlying assets.

Fourth, unconditional payment will be no longer available. The asset management business is a financial business that is featured by making investment on behalf of other people. Therefore, no guarantee of repayment of principals and returns can be made. Penalties will be imposed on any practice insuring unconditional payment. The Net Asset Value (NAV) will be used in asset management products. Financial institutions are also encouraged to use the mark-to-market methodology. Amortized cost is allowed to be adopted in calculating financial assets that meet certain standards.

Fifth, the leverage of asset management products will be controlled. In line with the prevailing regulatory standards, the leverage requirements for asset management products will be regulated both in terms of liabilities and rating of the products. The higher the investments risks are, the stricter requirements will be imposed on the leverage ratio. Differentiated requirements are made with regard to the liabilities ratio (total assets/net assets) of both publicly-and privately-placed products. Products that can be rated are clarified and the rating proportions (the portions of the superior assets/the portions of the inferior assets) are unified.

Sixth, multi-layered embedding and conduit business are contained. Financial regulators need to provide a level playing field to financial institutions with regard to the asset management business and to regulate the layering business. Financial institutions ought to proactively take on responsibilities and are prohibited from providing to the asset management products of other financial institutions with conduit business, which might avoid such regulatory requirements as investment scope and leverage limits.

Seventh, regulatory coordination is earnestly strengthened. Macro-prudential management of the asset management business is enhanced. Functional regulation is implemented to the same asset management products in line with the harmonized standards. Besides, conduct regulation on financial institutions is also reinforced. A comprehensive statistics mechanism is to be set up covering all types of asset management products.

Eighth, an appropriate transitional period is set up. Taking into consideration both the maturity and market value of the outstanding asset management business and newly-issued asset management products, the regulators set up an appropriate transitional period. A clear demarcation will be drawn between the new and the old products for differentiated treatment so as to ensure necessary liquidity and market stability.

Under the guidance of Xi Jinping's Thought of Socialism with Chinese Characteristics for a New Era and in line with the New Concept of Development, the *Guiding Opinions* harmonized regulations on the asset management business of financial institutions in a comprehensive manner, with a view to effectively preventing financial risks, promoting the sound development of the financial industry, and raising the efficiency and quality of financial service to the real economy. It is expected to serve as a milestone in the regulation and development of the asset management business.

FINANCIAL MARKET

In 2017, the performance of financial market was stable. Policy measures for reform and development were advanced steadily, product innovation, institutional innovation, and rule-based administration were further strengthened, and the bond market became more internationalized. The financial market played a bigger role in pushing forward supply-side structural reform and propping up the real economy.

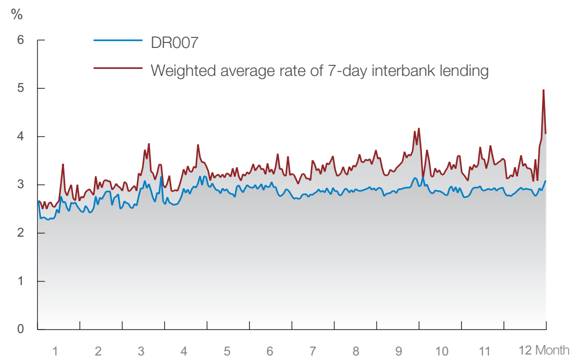
Performance of money market

Size of trading remained stable. The cumulative trading volume of the interbank money market posted RMB695.35 trillion in 2017, edging down 0.27 percent from the prior year. Among it, trading on the funding market slumped 17.65 percent year on year to RMB78.98 trillion, that on the pledged repo market went up 3.52 percent from a year earlier to RMB588.26 trillion, and that on outright repo market slid 14.90 percent compared with the previous year to RMB28.11 trillion.

Short-term trading still dominated. 7-day and shorter-term trading accounted for 96.27 percent of total money market trading, down 0.13 percentage point from the prior year. Among it, overnight funding took up 86.07 percent, 0.55 percentage point higher than that in 2016.

The interest rate stabilized after a moderate rise. From the start of the year to early May, the overall level of money market rate rose notably due to rate hikes by the Fed, better-than-expected macroeconomic performance at home, and enhanced regulation. From May to late October, the overall money market rate dropped slightly and stabilized. At the year-end, strong demand for money at the turn of the year pushed up the rates again. At end-December, the 7-day interbank funding rate and depository institutions 7-day repo rate (DR007) stood at 4.05 percent and 3.09 percent respectively, adding 138 bps and 42 bps over the beginning of the year (Figure 1).

Figure 1. Movements of Money Market Rates, 2017



Source: National Interbank Funding Center

Large Chinese banks were the major fund providers. During the year, policy banks, large commercial banks, and joint-equity commercial banks were the biggest fund providers on money market, with the total net lending posting RMB119.85 trillion, RMB83.59 trillion, and RMB41.25 trillion respectively, accounting for 46.26 percent, 32.27 percent, and 15.92 percent of the total net lending. Securities companies, city commercial banks, and rural financial institutions were the major borrowers. Their respective net borrowing was RMB58.59 trillion, RMB46.06 trillion, and RMB45.08 trillion, representing 22.58 percent, 17.78 percent, and 17.40 percent of the total net borrowing.

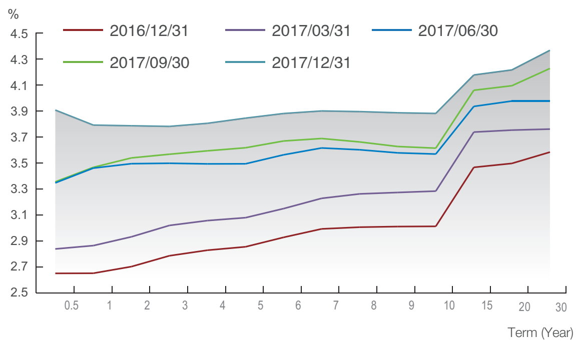
Bond market performance

The size of bond issuance continued to grow, but at a slower pace. The issuance of RMB-denominated bonds totalled RMB39.85 trillion throughout the year, jumping 11.93 percent year on year, shedding 43.66 percentage points compared with the previous year. As of the year-end, the outstanding value of bond custody was RMB74.41 trillion, surging 16.64 percent year on year.

The size of spot bond trade declined. In 2017, the trading volume of spot bond was RMB108.39 trillion, sliding 18.02 percent from a year ago. Among it, spot bond trade on the interbank market was RMB102.84 trillion, down 19.09 percent from 2016, with an average daily turnover of RMB409.7 billion, while that on the exchange market gained 8.44 percent over 2016, amounting to RMB5.56 trillion.

The bond yield curve flattened and moved upward, with term spread narrowing further. At the year-end, the yield on 1-year and 10-year government bonds was 3.79 percent and 3.88 percent, rising 114 bps and 87 bps respectively over a year earlier. The term spread was 9 bps, 27 bps narrower than the end of 2016 (Figure 2).

Figure 2 Movements of the Yield Curve of Government Bonds on the Interbank Market



Source: China Central Depository and Clearing Co., Ltd.

The investor structure was further diversified with rising share of overseas institutional investors. As of the year-end, there were a total of 18 740 players on the interbank market, increasing 3 444 over the end of 2016. Among them, 2 665 were domestically incorporated institutions, 235 more than the end of 2016; 15 458 were domestic non-corporate institutions, surging 2 999 over end-2016; and 617 were overseas institutional investors, adding 210 compared with end-2016. Bond holdings by overseas institutions totalled RMB1.15 trillion, exceeding RMB1 trillion for the first time, a year-on-year jump of 43.58 percent.

RMB financial derivatives market performance

RMB interest rate derivatives were traded more actively. The number of deals on RMB interest rate (IR) swap market amounted to 0.14 million, soaring 57.55 percent year on year. The nominal value surged 45.26 percent from a year ago to RMB14.41 trillion. Breakdown by term structure shows that 1-year products and those under 1 year were most actively traded with a total nominal value of RMB11.08 trillion, representing 76.93 percent of the total. In terms of reference rate, the reference rate for the floating end of RMB IR swaps mainly included 7-day repo fixing rate and Shibor. The nominal value of IR swaps with these two rates as the reference accounted for 78.98 percent and 20.58 percent of the total respectively.

Foreign exchange market performance

Trading on the RMB foreign exchange (FX) market added up to USD24.08 trillion in 2017 (with an average daily trading of USD98.71 billion), climbing 18.65 percent over the previous year. In particular, transactions between banks and their clients, and those on the interbank FX market stood at USD3.75 trillion and USD20.34 trillion respectively.

Trading on spot FX market grew steadily. In 2017, the cumulative trading on spot FX market hit USD9.49 trillion, a year-on-year gain of 7.40 percent. In particular, spot FX purchases and sales at banks (excluding delivery of forward contracts) added up to USD3.09 trillion, rising

6.29 percent over 2016, while cumulative spot trade on the interbank FX market stood at USD6.40 trillion, climbing up 7.95 percent over the previous year.

Trading of FX forwards increased. The cumulative full-year trading of FX forwards stood at USD425.9 billion, a year-on-year increase of 12.58 percent. In particular, forward FX purchases and sales between banks and their clients posted USD322.5 billion cumulatively, with FX purchases from and sales to clients registering USD148.2 billion and USD174.3 billion, surging 43.08 percent, 110.94 percent, and 12.34 percent respectively over 2016. Cumulative trade of FX forwards on the interbank market slumped 32.40 percent from a year earlier to USD103.4 billion.

Trading of FX and currency swaps continued to increase. The cumulative full-year trading of FX and currency swaps soared 33.94 percent over 2016 to USD13.57 trillion. In particular, FX and currency swaps between banks and clients posted USD103.2 billion cumulatively, dropping 3.32 percent compared with 2016, while that on the interbank market gained 34.33 percent over the previous year, hitting USD13.46 trillion cumulatively.

Trading on FX options market declined. In 2017, the trading on FX options market amounted to USD602.1 billion, tumbling 36.96 percent from 2016. In particular, the cumulative trading between banks and clients went up 11.03 percent year on year, posting USD230.8 billion, while that on the interbank market registered USD371.2 billion cumulatively, sliding 50.31 percent compared with 2016.

Gold market performance

Gold market infrastructures were further improved amid a steady increase in trading volume. In May 2017, the GEMS-2, the third generation trading system, was launched by the Shanghai Gold Exchange (SGE), which effectively prevented operational risks with its significantly improved system functions. In 2017, the gold price fluctuated within a certain range throughout the year due to rate hikes by the Fed, the inflation in Europe and global geopolitics. At the year-end, the SGE Au9999 closed at RMB273 per gram, climbing up 3.45 percent year on year. The SGE saw a steady growth of trading in 2017, with the trading volume jumping 11.54 percent over 2016 to 54.3 thousand tons and the turnover hitting RMB14.98 trillion, surging 14.98 percent year on year.

Market institution building and policy measures

Financial market opening-up was promoted in a steady and orderly manner. First, the PBC and the Hong Kong Monetary Authority (HKMA) jointly launched the Bond Connect, and published the *Interim Measures for the Administration of Mutual Bond Market Access between the Chinese Mainland and Hong Kong SAR* and other supporting arrangements in an attempt to consult and coordinate more closely to seek win-win or even multi-win on issues including regulatory enforcement cooperation, investor protection, and financial market infrastructure connectivity. As of the year-end, a total of 249 overseas institutions accessed China's interbank bond market through the Bond Connect with bond holdings exceeding RMB80 billion. Second, panda bond issuers were diversified, expanding from overseas non-financial enterprises to foreign government institutions, international development agencies, and overseas financial institutions and non-financial enterprises. This move was aimed at helping overseas institutional issuers finance green industries, Belt and Road projects, major national strategies, and key industries. As of the year-end, issuance of panda bonds on the interbank market totalled RMB123.4 billion. Third, the PBC issued a notice to clearly stipulate that eligible foreign credit rating agencies enjoy national treatment and an equal footing with domestic peers, allowing them to provide rating services on the interbank market. The rating industry was regulated to pursue sound development. Fourth, efforts were made to continuously develop the SGE's international board, with the number of international members and the geographic coverage both expanding further. At the year-end, there were 69 members from 15 countries and regions, while the number was 67 at the start of the year. Cross-border cooperation among exchanges was pushed forward, with memorandum of understanding on cooperation signed with the Budapest Stock Exchange and Russia, which further increased the international influence of China's gold market.

Product innovation was actively promoted. Bonds for innovation and entrepreneurship were introduced to expand the funding channels for enterprises seeking innovation and start-ups as well as facilitate the implementation of innovation-driven development strategy. More regions were encouraged to issue poverty reduction bonds to win the battle against poverty. The bidding for financial bond swap was launched on a trial basis as a move to diversify means of issuance, which will help improve bond market supply mechanism, increase the overall market liquidity and market rate stability, and further meet the diverse demand of market players.

Bond market institution building was strengthened. To promote sound green bond development, the PBC and CSRC jointly released the *Guidance on Green Bond Assessment and Certification (Provisional)* to stipulate the qualifications of green bond assessment and certification agencies, business acceptance, subjects to be assessed and certified, and assessment and certification opinions. The *Notice on Regulating Bond Transactions by Bond Market Participants* was issued jointly with the CBRC, the CSRC, and the CIRC to urge market participants to strengthen internal control and risk management, enhance internal control arrangements for bond transactions, regulate bond trading practices and keep reasonable leverage levels.

Bill market mechanism was further improved. First, rules on the administration of bill transactions were unified. The Electronic Commercial Draft System was relocated as a whole to the bill exchange, the *Notice on Issues Related to Strengthening the Administration of Electronic Commercial Draft Transactions* was published, and it was clearly stipulated that transactions of paper and electronic bills both are subject to *the Administrative Measures for Bill Transactions*, a move to unify rules on the transaction of paper and electronic bills. Second, supporting rules on bill-related activities were improved. To regulate the practice of bill market participants, the bill exchange drafted and announced detailed rules on business registration, custody, clearing, settlement, and trading.

The PBC steadily and orderly advanced the clean-up of Internet finance to prevent and mitigate risks from Internet financing, while exploring the possibility of building a long-term mechanism for regulating Internet finance. First, it enhanced the overall arrangement of the clean-up drive by adopting a work mechanism featuring authority coordination, local arrangements based on business registration locations, vertical as well as horizontal regulation, and shared accountability among relevant regulating agencies. The clean-up proceeded smoothly. Second, a case-by-case approach was adopted to focus on reducing existing risks in key institutions and sectors. The number of Internet financing companies and the size of unruly business activities both declined. Third, decisive measures were taken to prevent and mitigate risks from emerging fields such as virtual currencies and cash loans. The PBC banned the exchange for trading virtual currencies such as the bitcoin and initial coin offerings (ICOs) and clearly defined the bottom line or red line for online micro finance. Fourth, efforts were made to lose no time in developing a long-term mechanism by taking the opportunity generated by the clean-ups to tackle the root cause while addressing the symptoms.

COLUMN

Bond Connect

The Bond Connect enables overseas investors to access China's interbank bond market more conveniently following international practices, as it can streamline the investment procedures such as avoiding duplicated account opening. Mainly supported by bond market infrastructure connectivity between the Mainland and Hong Kong, the Bond Connect program has further improved the convenience for foreign funds seeking investment opportunities in domestic market. The connectivity covers both the front office for trading and the back office for custody and settlement. The Hong Kong Exchanges and Clearing Ltd. (HKEX), international bond trading platforms, and the China Foreign Exchange Trade System (CFETS) are connected in providing trading services, while the Central Moneymarkets Unit run by the Hong Kong Monetary Authority is connected with the China Central Depository and Clearing Co. Ltd. and the Shanghai Clearing House in providing custodian and settlement services. On March 15, 2017, the Chinese Premier Li Keqiang announced the pilot program of Bond Connect between the Mainland and Hong Kong during the National People's Congress and the Chinese People's Political Consultative Conference. On July 3, the Bond Connect was put into operation on a trial basis.

In recent years, the openness of China's interbank bond market has been growing. In 2017, the types of overseas institutional investors eligible for interbank bond market investment and investment instruments further expanded, investment quota was lifted, and investment administrative procedures were further streamlined. However, more work is to be done to deepen the opening up of China's bond market when compared with other highly open international markets. Besides, the Mainland and Hong Kong enjoy a good foundation for financial market cooperation. Against this backdrop, the Bond Connect was launched as a new move to further open up China's interbank bond market. To meet the current demand of international investors for accessing the Mainland bond market, the Northbound investment was first introduced, to be followed by the Southbound investment as appropriate, which is consistent with the principle of seeking phased-in and steady progress.

Since the launch, the Bond Connect has been well received among all stakeholders, as the number of participants kept growing, trading became increasingly brisk, relevant market infrastructures functioned smoothly, and regulatory cooperation between the Mainland and Hong Kong proceeded as desired. As of end-2017, a total of 249 overseas investors completed the filing under the Bond Connect program, including not only central banks, but also overseas commercial banks, financial institutions, and non-corporate agencies, with the cumulative turnover approximating RMB300 billion. Among it, the interbank certificates of deposit and policy financial bonds were the most actively traded products. As of end-2017, overseas investors held a total of RMB1.18 trillion bonds on the interbank market, an increase of RMB331.6 billion compared with end-June 2017. Among it, new bond holdings through the Bond Connect rose steadily. Domestic issuers such as the China Development Bank, the Agricultural Development Bank of China, China Unicom, and China Huaneng Group, along with overseas issuers like the Hungarian government and Maybank issued more than RMB100 billion bonds to domestic and overseas investors under the Bond Connect program.

As a major decision by the Central Government to support the development of Hong Kong and deepen financial cooperation between the Mainland and Hong Kong, the Bond Connect will help reinforce and enhance Hong Kong's role and competitiveness as an international financial center, giving Hong Kong full play in acting as the frontline of financial market opening-up. The initiative will foster closer economic and financial cooperation between the Mainland and Hong Kong and help maintain long-term prosperity and stability in Hong Kong. It is also conducive to promoting further financial market opening-up and better meeting international investors' demand for allocating RMB assets.

Notes: 1. The Northbound investment refers to the investment in the Mainland interbank bond market by investors from Hong Kong and other countries and regions enabled by trading, custody, and settlement infrastructures connectivity between the Mainland and Hong Kong.

2. The Southbound investment refers to the investment in Hong Kong bond market by Mainland investors, enabled by trading, custody, and settlement infrastructures connectivity between the Mainland and Hong Kong.

RMB INTERNATIONALIZATION

In 2017, the PBC promoted the RMB internationalization in a steady and orderly manner, invariably guided by the principle of serving the real economy and promoting trade and investment facilitation. The RMB internationalization saw new developments, as cross-border RMB policy framework was further optimized, cross-border RMB financial transactions were conducted smoothly, infrastructures supporting RMB internationalization were improved continuously, and international cooperation continued to deepen.

The RMB internationalization made new progress

According to statistics by the Society for Worldwide Interbank Financial Telecommunications (SWIFT), with a market share of 1.61 percent in December 2017, the RMB was the fifth largest payment currency after the US dollar, the euro, the British pound, and the Japanese yen. According to data released by the IMF on the Currency Composition of Official Foreign Exchange Reserves (COFER), RMB-denominated reserves held by reporting countries stood at USD122.8 billion as of end-2017, accounting for 1.23 percent of the total. Incomplete statistics showed that over 60 overseas central banks or monetary authorities had included RMB in foreign exchange reserves.

The RMB has been the second widely-used currency in China's cross-border payments for 7 consecutive years. In 2017, the RMB-denominated cross-borer payments amounted to RMB9.2 trillion, representing 22.3 percent of total cross-border payments during the corresponding period, keeping the RMB China's second largest cross-border payment currency for 7 years in a row. During the year, RMB payments under current account posted RMB4.36 trillion, while that under capital account was RMB4.84 trillion. As of the year-end, over 337 thousand domestic enterprises used RMB for settlements, banks from 136 countries and regions had opened 3 901 RMB nostra accounts in China, and enterprises from 153 countries and regions had opened 31.4 thousand RMB non-resident accounts in China.

The RMB's role as an international investment currency was further enhanced. As of the year-end, a total of 806 overseas institutions had gained access to China's interbank bond market. In July, Hong Kong's quota under the RMB Qualified Foreign Institutional Investor (RQFII) scheme was further increased to RMB500 billion. As of the year-end, the pilot of RQFII was expanded to 18 countries and regions with a total investment quota of RMB1.74 trillion. The investment quota that 196 institutions had filed or applied for amounted to RMB605.06 billion. As of the year-end, domestic RMB-denominated financial assets held by overseas entities in the form of equities, bonds, loans, and deposits stood at RMB4.29 trillion, soaring 41.3 percent year on year. By breakdown, the market cap of stocks was RMB1 174.67 billion, while outstanding bonds, loans, and deposits posted RMB1 198.83 billion, RMB739 billion, and RMB1 173.47 billion respectively. As of end-2017, the cumulative registration/authorized quota for panda bond issuance was RMB500.7 billion, while the cumulative panda bond issuance posted RMB220.34 billion, with the scope of issuers covering international development agencies, foreign governments, overseas non-financial institutions, and financial enterprises.

The use of RMB in neighboring countries saw positive developments. In 2017, the cross-border RMB settlements between China and its neighbors jumped 11.1 percent over 2016. In particular, it grew by 19 times in Cambodia, 7 times in Brunei, and over 50 percent in 9 countries, such as Malaysia, the Philippines, and Uzbekistan. Central banks from 15 neighboring countries, such as Singapore and South Korea, had included RMB assets in their foreign exchange reserves.

Policy framework for the cross-border use of RMB continued to be improved

Trade and investment facilitation was further promoted. In January 2017, the PBC published the *Circular on Matters Concerning the Macro-prudential Management of Overall Cross-border Financing*, adjusting the exempts in weighted cross-border financing risk and related coefficients to make it more convenient for domestic institutions to access low-cost offshore funds and lower the financing cost of the real economy. In January 2018, the PBC issued the *Circular on Further Improving the Policy for Cross-border RMB Business to Promote Trade and Investment Facilitation*, unveiling a package of policy measures aimed at trade and investment facilitation, including clarifying that enterprises could use RMB to settle all cross-border transactions that can be settled with foreign currencies in line with relevant regulations; allowing RMB settlements for other personal transactions under current account; providing more convenience to overseas investors regarding RMB-denominated direct investment; introducing RMB cross-border settlement for carbon emission right trading; and making it more convenient for enterprises to repatriate RMB funds raised offshore.

The openness of financial markets was increased continuously. The PBC continued to explore two-way financial market opening-up through infrastructure connectivity. The Northbound investment that was first introduced under the Bond Connect program launched in July has created an efficient and convenient channel for qualified foreign institutional investors to access domestic interbank bond market. In November, the PBC published in Chinese and English the business procedures for overseas commercial institutional investors to access the interbank bond market, along with the stocktaking of relevant documents, providing more convenience for overseas institutions to access China's market. As of the year-end, 249 institutions investing through the Bond Connect saw outstanding bonds under custody reach RMB88.796 billion.

Cross-border RMB self-regulatory mechanism was further developed. The self-regulatory agency drafted the *Banking Business Operational Guidance and Practitioner Regulations*, covering cross-border RMB business under current account and capital account. It provides detailed information for banks to process cross-border RMB business, including governing policies, materials required for verification, verification principles, and key issues in risk prevention. A relatively full-fledged market self-regulatory system has taken shape, which will help push banks to effectively implement three practitioner principles and improve their capacity for verifying authenticity and compliance.

The international cooperation on RMB deepened

In 2017, the PBC renewed the bilateral local currency swap agreement (BSA) with central banks or monetary authorities from New Zealand, Mongolia, Argentina, Switzerland, Qatar, Canada, South Korea, Hong Kong, Thailand, and Russia, with a total size of RMB1.48 trillion. The local currency settlement agreement for general trade and investment was improved to make it more workable. As of the year-end, the PBC had signed the BSA with central banks or monetary authorities from 36 countries and regions with the total swap line exceeding RMB3.3 trillion, which has played a positive role in promoting bilateral trade and investment facilitation and safeguarding financial stability.

Infrastructures supporting the RMB internationalization continued to improve

As of the year-end, the PBC had established RMB clearing arrangements in 23 countries and regions, covering Asia, Europe, Americas, Oceania, and Africa. As of end-2017, there were 31 direct participants and 677 indirect participants in the RMB cross-border interbank payment system (CIPS), with the actual business coverage expanding to 2 199 incorporated financial institutions from 145 countries and regions. The improvement of CIPS and clearing arrangements are expected to further increase the RMB global clearing and settlement efficiency.

FOREIGN EXCHANGE ADMINISTRATION

Since 2017, faced with the complicated economic and financial situations at home and abroad, the PBC adhered to the overall principle of making progress while seeking stability, actively adjusted to the new normal of foreign exchange administration and took into account both the promotion of facilitation and prevention of risks. While enhancing the role of foreign exchange administration in serving the real economy, it effectively prevented the cross-border fund flow risks and safeguarded the national economic and financial security.

Efforts were made to promote free trade and investment so as to better serve the real economy

First, SAFE continuously promoted the reform in administration according to law and "delegation of power, regulation, and service". It continued its long-term mechanism of clearing up outdated laws and regulations. Emphasis was laid on clearing up the documents that were not in line with the reform of "delegation of power, regulation, and service", with altogether 11 ineffective laws and regulations abrogated. It steadily promoted standardized administrative examination and approvals in foreign exchange administration, and implemented the requirement of "random inspection and public release across the board" by the State Council. Secondly, SAFE improved the management on the centralized operation of foreign exchange fund of multinational corporations, which further improved the efficiency of fund. Third, the development of new business models such as comprehensive pilot zone of cross-border e-commerce and foreign trade comprehensive service enterprises were studied. Cross-border foreign exchange payment services by the third-party payment agencies was regulated. Fourth, foreign exchange settlement of enterprises was facilitated. It allowed the domestic foreign exchange loans against exports of goods to be settled, allowed the funds from offshore financing against domestic guarantee to be repatriated and used at home, and allowed the domestic foreign exchange account of overseas institutions in free trade pilot zone to conduct settlement of exchange. Fifth, the electronic information of enterprises' customs clearance was available to banks so as to facilitate the banks in their truthfulness examination of foreign trade.

Reform in key areas deepened, and the capital account convertibility and development of foreign exchange market was steadily promoted

First, SAFE improved the comprehensive macro-prudential regulation of cross-border financing, and expanded the financing channels of domestic institutions. Second, it promoted the opening-up of domestic bond market. Related foreign exchange administrative rules on "Bond Connect" were made to guarantee its smooth operation. Third, reform in the facilitation of capital account was actively explored. It conducted the pilot program of facilitating outward payment of settlement funds in designated areas and industries, which had accumulated experience for further opening up settlement and payment management of foreign exchange revenue under capital account. Fourth, development of foreign exchange market was deepened. It allowed the overseas institutional investors of the interbank bond market to participate in the domestic foreign exchange derivative market, provided exchange rate risk aversion service for the overseas investors of "Bond Connect", and conducted the foreign exchange option and write-off of currency swap in the interbank foreign exchange market.

Examination of truthfulness and compliance was strengthened to prevent the risk of cross-border fund flow

First, SAFE improved the foreign exchange administration on outward direct investment. It actively supported the capable and eligible enterprises to conduct true and legitimate outward investment, guaranteed the injected funds to satisfy the demand of enterprises of key countries and projects along the "Belt and Road", and combated illegal transfer of domestic assets in the name of outward investment. Second, SAFE improved the management on offshore financing against domestic guarantee. It relaxed the restriction on the repatriation of funds from offshore financing against domestic guarantee, restated that banks should perform their duty of due diligence in conducting related business, and required the banks should step up the examination of the source of counter guarantee fund and establish an evaluation system of performance risk. Third, SAFE standardized management on the overseas withdrawal of deposits in large amounts from the bank card. It required that individuals with domestic bank card should withdraw no more than RMB100 thousand Yuan abroad so as to prevent the illegal criminal activities in the cash withdrawal area. Fourth, SAFE enhanced supervision on individual foreign exchange business. It performed the duty of examination in terms of anti-money laundering, counter-terrorism financing, and anti-tax evasion. On the basis of guaranteeing individuals' truthful and legitimate demand for using foreign exchange, it perfected the declaration management and enhanced the quality of individual foreign exchange data. Meanwhile, it required that banks should strengthen the truthfulness examination of foreign exchange banknote businesses, especially those abnormal businesses in large amounts.

SAFE severely cracked down on the activities violating laws and regulations of foreign exchange administration to keep the safety and order of foreign exchange market

First, SAFE conducted special inspections on key areas and channels such as false transit trade, false trade financing, evasion of foreign exchange control, illegal purchase of foreign exchange, individual split purchase and payment of foreign exchange, offshore financing against domestic guarantee, and the foreign exchange business of the third-party payment institutions. In 2017, it altogether investigated and handled 3160 cases violating the rules of foreign exchange administration, with a penalty amounting RMB760 million, increasing 58 percent and 76 percent respectively. Second, SAFE severely cracked down on the criminal activities violating foreign exchange administration laws such as underground banks. In 2017, it assisted the public security agencies in uncovering nearly 100 cases, with money involved in the cases amounting to hundreds of billions of yuan. It mainly cracked down on the counterparty of underground banks. Altogether it uncovered more than 1400 cases involving illegal purchase and sale of foreign exchange of the underground banks, with the administrative penalties amounting to hundreds of millions of yuan. Third, SAFE strengthened the reporting of typical cases. It publicly reported 63 typical cases of banks, enterprises, and individuals violating foreign exchange administration laws and regulations and warned the market participants to operate in compliance with regulations. Fourth, SAFE stepped up the in-the-course and subsequent inspection. The number of abnormal enterprises being relegated, written off the catalogue or transferred to be inspected totaled 58 thousand. 7 631 individuals were included into the "Watch List". Fifth, SAFE improved the infrastructure for foreign exchange administration. It laid a solid foundation for the statistical system for international balance of payment, reinforced the monitoring, analysis, warning and system construction, improved the self-discipline and assessment mechanism in banks, and enhanced the micro-regulation of the foreign exchange market.

Management of foreign exchange reserves was strengthened to safeguard the safety, liquidity, and the maintenance and increase of value

First, under the policy framework of macro-prudential management, SAFE well managed the liquidity and provided a sound environment for the national economic and financial security based on the domestic and international situations and markets. Second, SAFE constantly optimized its currency and asset structure, and maintained and increased the value of foreign exchange reserves with the precondition of safety and liquidity. Third, with priority on "Belt and Road" initiatives, SAFE continued to step up the diversified use of foreign exchange reserves. It effectively performed its duty as a stakeholder, stepped up strong governance of equity investment agencies, actively served the real economy and key national strategy, and guaranteed the medium- and long-term financial sustainability.

ACCOUNTING

Promote the modern governance of central bank accounting

Implementing the new development concept of “innovation, coordination, green, open, and sharing”, the PBC promoted the transition of financial accounting management by working out the *Plan for Accounting Transition of the People’s Bank of China* and its implementation plan, which pinpointed the direction, target, and path of the transition. The PBC accelerated the new system of financial accounting management so as to meet requirements of the new era and characteristics of the central bank’s responsibilities, expanded accounting management, and promoted the modern governance of PBC accounting mechanism.

The decision-making mechanism was improved constantly. The PBC built a matrix management model to enhance the Management Committee’s decision-making such as budget and centralized procurements and allow business sectors to play guiding roles in a vertical dimension. It made arrangements of budget liaison and departmental communication was improved to strengthen the communication and coordination among departments, and to push forward the integration of business management and accounting management. The framework design was reinforced to improve decision-making. Infrastructures such as “one vault and one room” (the cash vault and computer room) of PBC, accountability centers, as well as key innovation projects were enhanced.

Performance checking was fully applied. The quota management system of public funds was gradually established, universal office equipment standards were set up and strengthened in application, and 65 percent of the total project budget was allocated by the quota. The PBC improved its benchmark system and carried out performance evaluation by establishing over 980 evaluation indexes covering 14 key operation lines such as infrastructure and banknote issuing equipment purchases. The project expenditure budget was monitored and self-evaluation on performance was carried out to ensure 100 percent coverage, contributing to a transparent, standardized, scientific, and stringent fiscal management system.

The specified accounting reforms were pushed forward effectively. For its direct affiliates, the PBC steadily promoted the reforms on management system, reviewed their major projects focusing on “three major issues as well as huge funds”, completed the reform of official vehicles and explored negative list management on their investment. The endowment insurance system reform was implemented conscientiously, and the reform on fiscal purchase of services was pushed forward effectively, which provided a standardized system for a modern governance mechanism.

Enhance financial capability of the central bank

Based on the duties of the central bank, the PBC constantly improved its assets quality, the balance sheet management as well as profit and loss statement (two statements), reinforced its own financial capability and financial buffer, and enhanced the prevention and resolution of systemic risks so as to lay a solid foundation for the two-pillar regulatory framework of monetary policy and macro-prudential policy. Efforts were made to push forward the reform of accounting criteria including research on accounting criteria, capital and reserve management and budget management to carry out duties of the central bank. Asset accounting policies were gradually improved based on the prudent accounting principles and accounting standard reforms were constantly stepped up.

The PBC accelerated the construction of "two statements" management system and effectively integrated resources of the system. The modules of general fiscal budget accounting were integrated into the management system to improve the management process and efficiency and to improve the effectiveness of accounting information; and the analysis and prediction of "two statements" trend movements was improved to show a better picture of the cost and benefit of macroeconomic policies which enhanced the comprehensive and scientific information representation and reinforced the support for macroeconomic regulation from accounting information.

Strengthen the foundation of standardized management and service system

Strict accounting management rules were enhanced. Strictly following the Eight-point Guidelines of the Politburo of the Central Committee against Bureaucracy and Extravagance as well as the "Three Rules on Public Expenditures" of the State Council, the PBC reined in regular expenditures such as the "three major fiscal expenses" (expenses on receptions, vehicles, and overseas trips) and conference expenses. In 2017, the "three major fiscal expenses" in the PBC declined by 5.16 percent year on year. The rules on public activities such as training expenses were revised to enhance the uses of budget surplus, special funds, personnel outlay, and fund deposits. The rules on buildings, infrastructures, official vehicles, and real estate management were strictly implemented.

The checking of rule implementation was reinforced. The PBC organized inspections and surveillance for self-correction of the fiscal revenue and expenditure in the accounting system together with risk identification for repair and renovation projects and centralized procurements. Rule implementation was inspected, including the fiscal revenue and expenditure, budget management, public activities expenditures, repair and renovation, and centralized procurement to push forward institutions at all levels to improve their long-term rule-based management mechanism.

A solid institutional foundation was established. Abiding by the principle of "full coverage, key focuses, and favoring the grass roots" and based on its mandates, the PBC reinforced the fiscal support for important tasks such as preventing and resolving financial risks, ensuring banknote issuance, and financial information technology. The measures on "policy, resources, and staff leaning toward the grass roots" were set up and improved to optimize resource allocation and improve the conditions in grassroots agencies.

Promote research on financial industry accounting

The PBC promoted the research on financial accounting standards reform, and proposed amendments of financial instruments accounting standards to the Basel Committee accounting working group and International Accounting Standards Board, in accordance with the development of China's financial industry. Attention was attached to the influence of new financial instruments accounting standards on financial industry, building on the reserve management, while analysis of and research on accounting of commercial banks, off-balance sheet business and its risks, and monetary policy transmission were carried out, which presented the demand of financial accounting standards reform in time.

The PBC enhanced its financial accounting analysis, kept an eye on financial stability in banking, securities, insurance and other industries from the perspective of systemic risk prevention, actively carried out annual financial analysis of listed commercial banks, securities firms and insurance companies, expanded the measuring dimensions of financial risk analysis, and promoted the macro-prudential management policy implementation. The database of foreign central banks' accounting standards and financial strength was set up and improved. The analysis of policy effectiveness, spillover effect and risk management of foreign central banks' accounting standards, financial strength, and their balance sheet policies was enhanced, so as to lay a theoretical foundation for the PBC's accounting management regulations.

PAYMENT SYSTEM

Continued efforts were made to improve the payment system and market infrastructure

In order to implement "three coordinates" proposed by the CPC Central Committee and the State Council, concerted efforts were made to plan, construct, and regulate the key infrastructure of financial markets so as to prevent and mitigate substantial risks.

First, the NetsUnion Clearing platform for non-bank payment institutions (hereinafter referred to as the NetsUnion Clearing) was established. Prior to its inception, the traditional agent clearing mode was adopted by payment institutions. A total of 115 payment institutions involved in Internet-based payment businesses were individually connected to the payment systems of hundreds of banks. The fact that a single payment institution opens a number of accounts with different banks might give rise to higher operation costs and serious waste of resources. Fragmented information regarding payment and trading remained unregulated, while lack of harmonization of interface standards and security codes posed substantial systemic risks. Lack of centralized custodian of clients' reserves ran the risks of embezzlement and fraud. Moreover, such malpractices conducted by some institutions as price dumping and cross subsidy by using the interest income of clients' reserves disrupted the market order to a great extent. Some institutions even provided fund settlement channels for the equity exchange platforms of local governments or even unlicensed financial exchanges, and got involved in large-amount wholesale payment services. These behaviors, if conducted without a centralized clearing scheme, were susceptible to systemic risks. In response to the above-mentioned malpractices and in line with the overall arrangements made by the CPC Central Committee and the State Council on Internet financial risks, the PBC, authorized by the State Council, took the lead in the creation of the NetsUnion Clearing. The establishment and operation of the NetsUnion Clearing have achieved the following results: First, unified and public clearing services were provided to payment institutions so as to optimize resource allocation, reduce the interconnection costs, enhance payment efficiency, and realize the Pareto efficiency of the entire market. Second, transparency of fund clearing services was reinforced so as to effectively prevent systemic risks at an early stage. Third, the effective transmission of monetary policy and the smooth operation of macro-prudential policies were guaranteed. Fourth, fair market competition was safeguarded and the sound and orderly development of the payment businesses was promoted. Fifth, payment institutions were encouraged to stick to their primary business, which could help protect the safety of clients' funds. The NetsUnion Clearing was put into operation on a pilot basis starting in March 2017. As of end-2017, a total of 248 banks and 65 payment institutions had got access to the platform.

Second, expedited efforts were made to promote the building of the CIPS. Based on the mission of serving the development of the real economy, the construction of CIPS was in line with requirements for continued improvement of financial market infrastructures in the process of RMB internationalization. Work has been done to enrich the functions of the system stage by stage, strengthen the backup processing capacities of the system, incorporate increasingly diversified participants, and enhance the clearing and settlement efficiency of RMB cross-border transactions, all of which will provide stable, convenient, flexible, and efficient clearing and settlement services for global RMB businesses. In October 2017, the CIPS launched the service that could settle transactions under the Bond Connect, facilitated the two-way opening-up of the interbank bond market, and made preparations for future interconnectedness among financial markets of various economies. As of end-2017, the CPIS had included 31 direct participants and 677 indirect participants from 86 countries and regions, 41 of which were "Belt and Road" countries and regions. The CIPS had cumulatively processed 1.9 million transactions with an aggregate turnover exceeding RMB18 trillion. The business scope of the system had been extended to 145 countries and regions.

Third, the payment service of the PBC was further enhanced. The processing procedure of real-time bank account transfer businesses of the High-value Payment System (HVPS) was optimized, while the operation hours of the HVPS were prolonged and the function of delayed settlement was added to the system. Efforts were also made to improve the institutional arrangements regarding liquidity risk management of the banking system, to reinforce the functions of the online interbank clearing system and to tighten the management of the payment center of the Bulk Electronic Payment System (BEPS). The CFETS, under the guidance of the PBC, launched the RMB versus Ruble PVP (Payment versus payment) business based on the HVPS. The integrated prepositive system of the Central Bank Accounting Data Centralized System (ACS) was expanded to 441 regional banking institutions and foreign-funded banks nationwide. The DVP (Delivery versus payment) settlement function of the standing and the medium-term lending facilities was launched and the intracity backup and disaster response system of ACS was unveiled.

Fourth, the bill business system was completed. Efforts were made to steadily advance the unveiling, promotion, and upgrading of the bill business system. The operation of the electronic commercial draft system has been smoothly transferred to the Shanghai Commercial Paper Exchange Corporation. The central bank discounting system has been set up and all the eligible PBC branches could conduct discounting businesses. The R&D of the experimental system of digital bill trading platform was strengthened, which was based on the settlement mode of "online confirmation and offline settlement".

Laws and regulations of payment and settlement were enhanced rigorously

First, construction of the account system was reinforced. In order to meet the demand of the development of Internet finance and implement the real-name registration system of bank accounts, the PBC launched the classified management of individual bank accounts in 2015. After two years of development, banks have universally adopted the classified management. Convenient account services, including online consumption, as well as payment of public utility fees and transportation, were launched for individual clients, which has effectively met their requirements for convenience and security of online payment. In an attempt to bring into full play the role of classified management and the role of type-II and type-III accounts in small-amount and convenient payment businesses, the PBC promulgated the *Announcement Regarding Issues of Account Classified Management of Individuals' Bank Accounts*. The opening procedures of type-II and type-III accounts were furthered simplified and the function of type-III accounts was optimized so as to popularize the application of type-III accounts and make type-II and type-III accounts the main online and mobile payment channels for small-amount consumption. The *Guiding Opinions on Improving Opening of Corporate Bank Accounts* was also promulgated in line with the reform requirements of streamlining administration and delegating power to lower levels, striking a balance between delegating authority and supervision as well as optimizing services. The promulgation of the document was also aimed at enhancing the efficiency of administrative approval and account opening of commercial banks, urging commercial banks to improve corporate account opening services, tightening up regulation on corporate account opening, helping boost the business environment, and promoting high-quality development of enterprises so as to better serve the development of the real economy. The PBC, in collaboration with the SAFE, also explored the unified management of RMB and foreign currency accounts and made amendment to the *Administrative Measures of Bank Accounts*. Moreover, the PBC, together with various ministries and commissions, released a number of documents in an effort to regulate financial institutions' due diligence investigation into tax-related information of non-resident financial accounts, clarify how to handle personal information contained in the certificates and licenses that need to be submitted by privately-or individually-owned enterprises when opening corporate RMB bank accounts, and specify documents that need to be submitted by representative offices of overseas non-government organizations when they open RMB bank accounts or amend account information. According to the documents, permanent resident ID card is a valid certificate of identity for foreigners when they conduct businesses with banks or payment institutions.

Second, regulation was tightened on the development of the retail payment service market. The *Regulations on the Barcode Payment Businesses (Tentative)* was promulgated to tackle such problems as unfair market competition and lack of sufficient risk prevention measures. Issues regarding the qualification of barcode payment businesses, clearing procedures, prevention of payment risks as well as customer services were all stipulated in the document, with a view to contributing to the sound and sustainable development of barcode payment and protect assets and the legitimate rights of financial consumers. In response to some unlicensed aggregated technology service providers taking part in payment and settlement businesses and hence posing significant risks to the payment system, the document explicitly prohibited such outsourcing service providers as aggregated technology service providers from providing acquisition businesses to clients, including client qualification inspection, signing agreements or conducting fund settlement. Card acquirers are encouraged to provide direct payment aggregation to clients so as to enhance their overall service and better support the development of the real economy. The *Announcement of Regulation on Payment Business Innovation* was released to address the problem of insufficient compliance and security of payment business innovation. The document clearly draws the boundary of innovation businesses and guide payment institutions to strike a right balance between security and development. Market participants were encouraged to conduct payment business innovation on the basis of safeguarding the bottom line of financial security and regulating business operation, in an attempt to protect fair market competition and promote the sound and sustainable development of the payment industry.

Third, efforts were made to lay a solid foundation for the development of payment and market infrastructure. The PBC went to great lengths to regulate the BEPS and promulgate the *Announcement of Issues Regarding Strengthening Regulation on the Bulk Electronic Payment System*, clearly defining the business to be small-amount, for public good and convenience and effectively containing related risks. The *Administrative Measures of the Integrated Prepositive System of the Central Bank Accounting Data Centralized System (ACS)* was promulgated. Thanks to the coordinated efforts made by the PBC, the ACS integrated prepositive system has seen growing popularity. With the ever-increasing participating institutions, some participating institutions may need to make amendment to their access information and interconnection mode. Therefore, it has been a pressing task to harmonize regulations in order to promote the further development of the system and ensure the safe and efficient operation of the system. The document specified procedures in terms of the accession, revision, and exit of the integrated prepositive system and the responsibility-sharing among all parties, shedding light on financial institutions' business handling based on the ACS.

Comprehensive efforts were made to strengthen regulation on the payment service market

In response to the existing problems in the payment industry, the PBC, based on the fundamentals of the payment businesses, went to great lengths to push ahead with the regulatory reform, explore the setup of a functional regulatory framework, strengthen the core regulatory principles of fair competition, substance over form and financial inclusion, and firmly safeguard market order.

First, the scheme of centralized depository of reserves was implemented. In recent years, such risk events as embezzling or appropriating clients' reserves took place frequently. A number of payment institutions gained profits from clients' reserves, which deviated from the purpose of the payment business. To make things worse, some payment institutions, based on the illegal gains they obtained from provisions, conducted price dumping or cross subsidy, which seriously disturbed the market order and brought about market polarization. Against this backdrop, the PBC set up a centralized depository scheme of reserves, which was officially kicked off in April 2017. As of end-2017, the centralized depository scheme had been operating smoothly with a combined depository amount of RMB99.45 billion and an average depository ratio of 20 percent.

Second, regulation on payment institutions involved in money market fund activities was strengthened. Such money market fund products issued by payment institutions as YU'EBAO blurred the boundary of payment/settlement service and money market fund products. To be more serious, some payment institutions made profits from arbitrage, which, in fact, pushed up the interest rate level, increased the social financing costs, and made it more difficult to access affordable financing. In view of the problem, the PBC, in collaborate with the CSRC, tightened the regulation on money market funds, and prohibited payment institutions from directly or indirectly participating in selling funds, providing payment businesses for money market funds or making advances to support the T+0 redemption mode of money market funds.

Third, intensified efforts were made to crack down on unlicensed payment activities. Campaigns were launched to crack down on the problem of unlicensed payment activities and licensed institutions illegally providing trading channel or interface for unlicensed institutions. Licensed institutions that illegally provided channel or interface for unlicensed institutions were held to accountability. Administrative penalties were imposed on 14 institutions, with RMB1.15 million of illegal income confiscated and a combined fine of RMB10.35 million. As of end-November 2017, a total of 243 unlicensed payment institutions had been confirmed for misconduct, of which 141 had been resolved and 63 were given the administrative opinions and transferred to other related departments.

Fourth, daily operation management and specialized examination of licensed institutions were enhanced. The inspection mechanism based on randomly selected institutions to be inspected and randomly selected inspectors were put into effect. In response to such market chaos as illegal fundraising in the name of digital currency and financial fraud, payment institutions were explicitly required to carefully verify clients' identity and were prevented from providing payment services for digital currency platforms or digital currency transactions. Targeted campaign was launched to crack down on the illegal operation of multi-purpose prepaid cards. A total of 3 895 random examinations were made on banks and payment institutions and penalties were imposed on 245 violators. Joint actions were also made to crack down on illegitimate sales of bankcard information with over 30 000 cases cracked and RMB1.65 billion worth of economic losses retrieved. Commercial banks and payment institutions were required to stop providing payment service for illegal trading platforms or Wechat-based trading platform. The scheme of public tip-off and reward was promoted. A total of 1 844 tips were received, of which 1 170 were investigated and 825 were confirmed. Greater importance was attached to the role of industry self-discipline and public supervision.

Efforts were made to advance international exchange and innovation in payment and settlement

First, cross-border regulatory cooperation in payment and settlement was pushed forward. The cross-border regulatory cooperation mechanism among the PBC, the ECB, and the BOE was advanced in various means in the realm of payment and FinTech. As a result, joint regulation was made in terms of cross-border payment services on a continuous basis and information sharing as to emerging markets and science and technology development, and innovation in financial service regulation as well as regulatory sandbox was strengthened. Second, the PBC was actively involved in the formulation of international rules. The PBC joined hands with international organizations in the research of digital currencies and crypto assets. On the basis of the analysis and investigation into the centralization of China's payment service market, the PBC also participated in the research work as to the influence of FinTech on market structure and financial stability in pursuit of louder voice in the area of international payment and settlement.

BANKNOTE ISSUANCE AND MANAGEMENT

Cash supply was guaranteed

In 2017, the yearly net cash injection totaled RMB234.2 billion, a substantial year-on-year decrease of 54 percent. During the peak season between the New Year and the Chinese Spring Festival, cash injection peaked RMB2 187.8 billion, up 1 percent as compared with the previous year. During this period, daily cash injection exceeded RMB200 billion for 5 consecutive days. Cash injection was still characterized with declining daily demand and explosive growth during holiday seasons. In view of the above-mentioned new characteristics, the PBC stepped up efforts in making forecast of cash demand, formulate appropriate plans for RMB banknote printing, aiming at overall planning and scientific allocation. Moreover, the PBC adjusted reserve management in an attempt to reduce inventory and optimize the structure of the cash vault. At the year-end, the stock of intact large-amount banknotes in the cash vault was 12 percent lower than that in the previous year. Cash supply in 2017 was met with high efficiency and low cost.

Management of RMB banknote circulation was continuously strengthened

Substantial progresses were made in promoting the self-circulation of coins nationwide. Efforts were made to create an environment that could facilitate circulation of coins in line with varying regional circumstances. A regional demand and supply information platform for coins was set up by means of mobile phone applications and Wechat to boost the circulation of coins.

Tidiness of banknotes witnessed a substantial increase. The *Standards for RMB Banknotes Unsuitable for Circulation* was promulgated, while the *Standards for RMB Coins Unsuitable for Circulation* was drafted. Efforts were made to improve the plans for destroying damaged or mutilated RMB banknotes. The sorting equipment was popularized to process damaged or mutilated RMB banknotes with a denomination of 1 yuan and above. Both reclamation and destruction of damaged or mutilated RMB banknotes were strengthened. The quality management mechanism was improved. Quality inspections of RMB products were conducted, while quality problems spotted in RMB banknotes circulation were resolved in a timely manner.

Continuous efforts were made in advancing the RMB banknotes circulation management and service. To tackle the loopholes in circulation of large-amount banknotes, the PBC, drawing upon international experiences, tried to find a management mode that was in line with the cash usage habits and demands in China. Efforts were also made to establish a long-term service mechanism for circulation of small-amount banknotes. In this regard, the PBC made a survey on commercial banks' circulation of small-amount banknotes and urged PBC branches at various levels to improve service. A preliminary performance evaluation system for the RMB businesses of commercial banks was established. Offsite regulation was launched on a pilot basis. Onsite inspections of the RMB payment and receipt businesses of commercial banks were conducted and illegal practices were punished in accordance with laws and regulations.

Transformation of the role of cash processing centers was advanced

Under the guidance and regulation from the PBC, cash procession centers were transformed from personnel outsourcing to business outsourcing so as to draw clear lines of demarcation between management and operation. Pilot work was done to promote banknotes printing enterprises to undertake cash processing businesses. Research was also made to put into place a regulatory mechanism for cash sorting enterprises and equipment manufacturers. The disclosure-based management of cash sorting enterprises affiliated to banking institutions was conducted. As of the year-end, banknotes with all kinds of denominations could be sorted at the prefecture level and above of banking institutions nationwide. The *Measures for Cash Processing Equipment, Maintenance, and Procurement* was formulated in a bid to transform procurement of cash processing equipment.

Security of cash vault was promoted

Efforts were made to improve the cash vault inspection mechanism, enhance the differentiated risk management, and lift the vault inspection efficiency. Distribution of cash vaults was optimized and management of county-level vaults was strengthened. A nationwide inspection and selective examinations of cash vaults were launched in an effort to enhance security of the whole system. Research was also made in the diversification of the storage mode of cash vaults to improve the cash service capacity.

The anti-counterfeiting work was advanced in a comprehensive manner

The long-term anti-counterfeiting campaign made headways. A total of 221 anti-counterfeiting demonstration zones with various characteristics were established all over the country on the basis of attaching greater importance to grassroots level units, information collection as well as publicity and education. A joint mechanism between the police and banks was steadily advanced. A big data platform for anti-counterfeiting was set up. Throughout the year, 1 154 anti-counterfeiting information monitoring posts were newly established and a nationwide monitoring network came into being. Supervision over anti-counterfeiting work on priority areas was pushed forward. Campaigns aimed at cracking down on counterfeiting activities were launched in collaboration with the police.

Stepped-up efforts were made to promote publicity and training of anti-counterfeiting. A nationwide contest of anti-counterfeiting knowledge and skills was held. Online prize-winning quizzes of anti-counterfeiting knowledge were organized. Public education was transformed from the traditional setting up a post for inquiry to Internet-based. Various training programs for cash handlers of financial institutions were launched on banknotes anti-counterfeiting, with a view that all the cash handlers of financial institutions nationwide will receive relevant training within three years as scheduled.

Institutional arrangements for banknotes anti-counterfeiting were strengthened. The *Technical Standards for the Detection Capacity of RMB Cash Handling Equipment* was compiled and promulgated as the industry standards. A testing center for the detection capacity of RMB cash equipment was set up, with an aim to further strengthen the management of the detection capacity of RMB cash equipment. The PBC was also actively involved in improving RMB banknotes technology and exploring the possible ways to guard against unauthorized printing or copying of RMB banknotes.

Reform of the issuance mechanism of common commemorative coins was advanced in an orderly manner

The issuance mechanism of common commemorative coins based on pre-orders was further improved. Dynamic adjustment of common commemorative coins allocated to different regions was adopted in line with pre-orders. Moreover, information regarding pre-orders and exchange was released to the public on a daily basis so as to insure transparency of the issuance mechanism. Investigations were also made into the phrased implementation plans of the reform of the issuance mechanism. A verification system of the pre-orders was to be built.

The PBC vigorously pushed forward the R&D of digital currencies and studied risk prevention of virtual currencies

Research was made into the issuance and circulation of digital currencies. Active efforts were made to explore and apply information technology related to digital currencies. Monitoring and regulation of various virtual currencies were strengthened. The PBC was also actively involved in the setup of a regulatory framework for such virtual currencies as bitcoins and digital tokens including Internet points. Campaigns aiming at cracking down on illegal issuance of so-called digital currencies (including "five element coin" and "central bank coin") in the name of the central bank were launched in collaboration with the related departments.

Commemorative Coins (Banknotes) Issued by the PBC in 2017

Date of Issue	Theme	Material	Denomination (RMB)	Issuance Amount (million sets)
Jan. 4	Common Commemorative Coins Celebrating the Chinese Lunar New Year 2017	Golden and Silver Brass Alloy	10	500
Sep. 22	Common Commemorative Coins in honor of the 90th Anniversary of the Founding of the People's Liberation Army	Golden and Silver Brass Alloy	10	250
Dec. 13	Common Commemorative Coins of the Calligraphy of the Chinese Character "He" (Harmony) (Regular Script)	Brass Alloy	5	250

TREASURY MANAGEMENT

The treasury transactions were successfully completed

In 2017, the treasury system of PBC processed RMB32.02 trillion of receipt transactions, which was 9.46 percent more year on year. A total of RMB32.55 trillion of payment transactions were processed, increasing by 8.82 percent year on year. On a cumulative basis, the central treasury disbursed RMB500 billion in 6 term deposits, and collected RMB380 billion as 5 treasury term deposits matured under cash management with commercial banks, with interest income of RMB3.90 billion. The outstanding balance was RMB200 billion at end-2017. The provincial-level local treasuries made 156 term deposits that released RMB2 493 billion, and received RMB2 243.70 billion from 136 matured term deposits, with interest income of RMB13.94 billion and an outstanding balance of RMB919.30 billion at the year-end. A total of 8 issues of treasury savings bonds (certificates) were completed, in the amount of RMB127 billion; and 10 issues of treasury bonds (electronic) were completed, with an amount of RMB194.53 billion. Redemption for 7 issues of treasury savings bonds (certificates) were completed, with payment of RMB106.18 billion in principal and RMB19.15 billion in interest.

Institutional arrangement of the treasury system further improved

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*, which contributed to progress in the revision project. The central bank 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 Electronic Fund Withdrawal, Correction and Tax Exemption, Diversified Tax Payment on Internet Banking and Mobile Banking, "Revenue and Expenditure" Management on the Interest Income of Customs Margin Deposits, and Intensified Taxation Custody Fund Management. It also revised the *Measures on State Treasury Accounting Supervision of the People's Bank of China*, and released an array of rules and regulations such as the *Guidelines for the Standardization of State Treasury Accounting (Tentative)*, which further improved institutional arrangements concerning state treasury management.

Enhancement of the treasury IT system produced remarkable progress

The PBC accelerated development of the second generation of the Treasury Information Processing System (TIPS), the front system was launched, and equipment procurement and joint tests were completed. In close cooperation with the General Administration of Customs, the central bank successfully completed the pilot of real-time tax deduction in Jiangsu Province, which strongly supported the construction of the standard international trade "single window" for Customs. It expanded coverage of the TIPS, which in 2017 processed RMB13.51 trillion in 445 million nationwide receipt operations, up 32.05 percent and 23.49 percent respectively; and the TIPS processed more than 85 percent of tax receipt operations that delivered by the state treasury. The "five certificates in one" function of TIPS and Treasury Centralized Booking System (TCBS) was upgraded, supporting the registration reform of "five certificates in one, one license and one code". The operation of TCBS in the agent treasury was further improved on the basis of successful pilot projects. The statistical analysis subsystem of Treasury Information Process System (TMIS) was upgraded and the cash management subsystem was launched in a test run.

Monitoring and management of the state treasury was enhanced

With the support of the national Treasury Supervision System (ex-post supervision), the PBC strengthened internal controls of treasuries at all levels, and completed onsite 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 strengthening accounting and internal controls. Monitoring of the state treasury was enhanced by urging local treasuries to perform their duties according to law, innovating the way of monitoring, and delivering more strict monitoring process and the treasury funds payments. Implementing the State Council's call to deepen the reform on administrative approval, the PBC refined the administrative approval of the agent sub-treasury business, drew up the guidelines on approval items concerning agent sub-treasury business by commercial banks and credit cooperatives and made detailed rules accordingly, and pushed forward sub-treasuries to optimize the approval process and improve efficiency, which made steady progress in retaking the agent sub-treasury business from commercial banks and credit cooperatives. 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.

Treasury bond management has been improved significantly

According to the management measures for formation of the bond underwriting syndicates and other relevant regulations, the PBC and the Ministry of Finance followed the process of third party experts' evaluation, publicity and signing of the main underwriting agreement, and determined Agricultural Bank of China and other 40 institutions as savings bond underwriting syndicate members from 2018 to 2020, forming the new savings bond underwriting syndicates. 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 concerning the savings bonds, made inspections on the first day of bond issuance, ranked underwriting syndicates on issuance and cashing quarterly, and adjusted the underwriters' issuance ratio building on the market and amount change of bond issuance in the middle of the year, contributing to smooth bond issuance. The data transfer of nationwide bond receipts and the follow-up data checking were completed in batches, the bond management subsystem of TMIS was upgraded, and the full caliber bond database and its analysis module were launched successfully.

The role in supporting decision-making was enhanced

The statistical analysis subsystem was upgraded to improve statistics of cash management in treasuries, and the feature of producing monthly report in batches was added to improve the Daily Report on Treasury Receipts, Disbursements, and Deposits. The central bank improved the analysis reports on treasury fund operation by the "daily monitoring, real-time feedback" inventory monitoring reporting system, and regarded the quarterly analysis as a platform for treasuries to study hot spots and communicate with each other. The treasury data mining and application was strengthened to set up the treasury index. Local treasuries are encouraged to set up tax analysis teams in line with their regional economic characteristics, which enhanced regular economic monitoring. Focusing on the economic hot spots and difficult points, the PBC conducted research on widely-discussed issues, including VAT reform, tax reduction, supply-side reform, land finance, local government debt, and mobilizing the stock of fiscal funds, to improve the depth of research.

Cash management of the state treasury made steady progress

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. The pilot project on local treasury cash management made steady progress with expanded coverage of all provinces. Developments of cash management business were provided for monetary policy decision-making with cash management statistical reporting system in place.

Table 1 Issuance of Treasury Savings Bonds, 2017

Bond	No. of Issue	Date of Issue	Term (Year)	Coupon Rate (%)	Total Actual Issuance Amount (RMB100 million)
Certificate T-bonds	1st	Mar. 10-19	3	3.80	148.70
Certificate T-bonds	2nd	Mar. 10-19	5	4.17	148.89
Certificate T-bonds	3rd	May 10-19	3	3.80	159.51
Certificate T-bonds	4th	May 10-19	5	4.17	172.14
Certificate T-bonds	5th	Sep. 10-19	3	3.90	166.12
Certificate T-bonds	6th	Sep. 10-19	5	4.22	159.81
Certificate T-bonds	7th	Nov. 10-19	3	3.90	162.43
Certificate T-bonds	8th	Nov. 10-19	5	4.22	152.39
Certificate T-bonds		Subtotal			1 269.99
Electronic T-bonds	1st	04.10-04.19	3	3.80	216.13
Electronic T-bonds	2nd	04.10-04.19	5	4.17	230.00
Electronic T-bonds	3rd	06.10-06.19	3	3.85	136.06
Electronic T-bonds	4th	06.10-06.19	5	4.22	220.60
Electronic T-bonds	5th	07.10-07.19	3	3.90	152.39
Electronic T-bonds	6th	07.10-07.19	5	4.22	188.42
Electronic T-bonds	7th	08.10-08.19	3	3.90	183.20
Electronic T-bonds	8th	08.10-08.19	5	4.22	229.64
Electronic T-bonds	9th	10.10-10.19	3	3.90	161.96
Electronic T-bonds	10th	10.10-10.19	5	4.22	226.89
Electronic T-bonds		Subtotal			1 945.29
Total					3 215.28

Table 2 Term Deposits by Central Treasury Cash Management at Commercial Banks, 2017 (New Deposits)

Date (Value date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	Expected Interest Income (RMB100 million)
Mar. 16	1st, 2017	600	4.20	3M	6.28
May 19	2nd, 2017	800	4.50	3M	8.98
Aug. 18	3rd, 2017	800	4.46	3M	8.90
Aug. 24	4th, 2017	800	4.51	3M	9.00
Oct. 16	5th, 2017	800	4.42	3M	8.82
Nov. 17	6th, 2017	1 200	4.60	3M	14.82
Total		5 000			56.79

Table 3 Term Deposits by Central Treasury Cash Management at Commercial Banks, 2017 (Matured)

Date (Due date)	Series No.	Amount (RMB100 million)	Bidding Rate (%)	Term	Actual Interest Income (RMB100 million)
Jan. 23	8th, 2016	800	2.95	3M	5.88
Jun. 15	1st, 2017	600	4.20	3M	6.28
Aug. 18	2nd, 2017	800	4.50	3M	8.98
Nov. 17	3rd, 2017	800	4.46	3M	8.90
Nov. 23	4th, 2017	800	4.51	3M	9.00
Total		3 800			39.03

Table 4 Provincial-level Local Treasury Cash Management, 2017

Region	New Deposits	Amount (RMB100 million)	Deposits Matured	Amount (RMB100 million)	Balance at Year End (RMB100 million)	Actual Interest Income (RMB100 million)
Beijing	11	3 600	13	3 300	1 100	15.18
Tianjin	1	150	2	250	0	2.94
Hebei	10	1 360	9	1 240	200	5.60
Shanxi	2	600	1	400	200	3.45
Jilin	2	162	3	212	0	1.25
Heilongjiang	2	200	2	200	0	0.72
Shanghai	8	2 800	9	3 300	1 000	26.69
Jiangsu	7	840	4	400	520	4.01
Zhejiang	4	1 030	2	480	700	4.24
Anhui	1	100	1	100	100	1.37
Fujian	3	280	3	190	200	1.62
Jiangxi	7	1 100	8	1 220	480	10.91
Shandong	4	900	3	500	400	1.86
Henan	3	610	2	410	200	1.47
Hubei	2	400	1	200	200	1.69
Hunan	2	300	1	200	100	0.75
Guangdong	3	550	4	660	450	6.07
Guangxi	2	150	1	30	120	0.11
Sichuan	7	1 000	7	900	400	6.64
Chongqing	2	205	0	0	205	0.00
Guizhou	6	853	4	600	253	2.16
Yunnan	5	680	3	500	180	1.86
Tibet	1	160	0	0	160	0.00
Shaanxi	8	700	7	600	200	2.99
Gansu	5	665	5	595	270	3.30
Qinghai	9	480	7	380	150	2.08
Ningxia	2	50	0	0	50	0.00
Xinjiang	1	50	1	50	0	0.19
Ningbo	3	200	1	50	150	0.19
Hainan	6	270	6	220	200	2.01
Shenzhen	12	3 900	15	4 780	800	25.12
Xiamen	15	585	11	470	205	2.88
Total	156	24 930	136	22 437	9 193	139.35

Note: Cash management hasn’t been implemented in Inner Mongolia, Liaoning, Dalian, or Qingdao.

FINTECH

Promote IT development and strengthen new technological innovation and research

The PBC studied technological routes of its basic platforms for cloud computing and big data, put forward advise for the implementation of the technological routes, and enhanced the foundation for the optimization and upgrading of IT architecture. The PBC initiated pilots of distributed architecture and dual-active systems and promoted upgrading of system architecture in a prudent manner, so as to enhance business continuity. The PBC moved the basic environment of provincial-level data centers to the cloud, thus reducing operational risks of the systems. The PBC promoted the development of critical systems including the second generation treasury information system, the national centralized administration system for banking accounts and the general accounting business system, so as to enhance PBC's capability in fulfilling its duties. The PBC improved the methods for administration of IT projects, and promoted the integration of government affairs information, which realized sharing of information among government authorities on a preliminary basis.

The PBC established the FinTech Committee, published the *Guideline for FinTech Studies 2017*, set up the FinTech Research Center, and initiated studies on big data, cloud computing, AI, RegTech and other key areas of FinTech. The PBC strengthened cooperation and self-disciplinary administration of FinTech community and guided the National Internet Finance Association of China and the Payment and Clearing Association of China to set up the Working Group on Financial Development and Research and the FinTech Specialized Committee respectively.

The PBC promoted the establishment of the Data Governance Group under the FinTech Committee to accelerate data governance and application in terms of basic data, data management, data sharing, and data application. The PBC started to build the financial big data analysis and service platform, researched the mechanism for data sharing and general application, and promoted data standardization and the development of IT infrastructure of financial data sharing. The PBC started the project of building "Digital Central Bank" for branches and initiated general application of regional data in terms of extending data information, enhancing data application capability, improving data governance structure, optimizing infrastructure and promoting architecture transformation, so as to improve the overall capacity of branches in data handling.

Improve PBC cyber security and operational security of IT systems

The PBC constantly enhanced foundation for the secure operation of PBC IT systems and established a "three-defense-line" responsibility system for operational security. The PBC revised rules related to cyber security including the *Specification of PBC Information System Security Configuration and the Guideline for Implementation of Graded Protection for Information Security*, and formulated the *Specification of Management of IT Outsourcing Risks*. The PBC promoted the implementation of the *Standard of Graded Assurance of Business Continuity for PBC Information System* and developed rules and technical specifications regarding the upgrading and management of PBC IT infrastructure, operation and maintenance of server rooms, and management of business network. It also carried out a program to examine and overhaul risks of IT infrastructure and application systems.

The PBC promoted upgrading and replacement of key network facilities of PBC provincial data centers, expanded WAN bandwidth, upgraded the structure of the financial metropolitan area network and the network of city processing center of payment systems, and upgraded network administration and monitoring system.

Prevent and resolve risks of financial network security and build IT development guidance mechanism for financial sector

The PBC fulfilled the tasks of ensuring cyber security during important periods such as the 19th Communist Party Congress and the NPC/CPPCC period, and properly responded to cyber and information security incidents including the "wannacry" incident. It set up, on a preliminary basis, an institutional framework for protection of key information infrastructure of financial sector, identified a first batch of such infrastructure and formulated relevant implementation documents. The PBC explored to establish a cyber security examination mechanism for financial sector and rolled out pilot programs in a prudent manner. The PBC implemented the *Law of Cyber Security*, participated in hosting the 2017 China Cybersecurity Week, organized the China Financial Cyber Security Forum and carried out education programs about financial cyber security. It promoted the pilot of security evaluation of commercial codes, promoted the demonstrative program of the application of secure IC cards and codes for financial sector, and expanded the scope of application of commercial codes in the financial industry. The PBC initiated the administration of personal information and critical data of financial sector, studied the mechanism of reporting on banking information security, improved the cooperative mechanism for the banking sector to guard against cyber attacks, and explored to build the platform to monitor financial cyber security and to share information.

Strengthen financial IT planning and standardization, and push forward financial standardization to a new phase

The PBC enhanced top design of financial IT development and standardization by releasing the *13th Five-Year Plan for the development of Financial Information Technology of China*, the *Plan for the Development of Financial Standard System 2016-2020*, and the *13th Five-Year Plan for the Development of Information Technology of the People's Bank of China*, which identified the key tasks and areas for the development of financial information technology and standardization for the 13th Five-Year-Plan period.

The PBC released two national standards, namely the *Securities and Related Financial Instruments—International Securities Identification Numbering System* and the *Securities and Related Financial Instruments—Codes for Exchanges and Market Identification (MIC)*; and eight industrial standards including the *Technical Specification for Authentication Capability of RMB Cash Authentication Machines* and the *Technical Specification for Trusted Environment of Mobile Phone Payment*. The PBC strengthened the development of FinTech-related standards by promoting the formulation of standards regarding cloud computing and trusted execution environment for mobile phones.

The PBC established the testing and authentication mechanism for financial standards regarding security of payment terminals and banking outlets, so as to promote the implementation of critical standards. The PBC promoted some financial standards to "go global", for example, the IC card standards formulated by the China UnionPay were accepted by Thailand and Myanmar as recommended standards for the industry or were authorized for application. The Local Operating Unit of China (LEICN) of the Global Legal Entity Identifier (LEI) System was accredited by the Global LEI Foundation.

Enhance security of payment technology and promote application of financial IC cards and mobile payment

The PBC released the *Notice of Strengthening Security Management of Bank Card Terminals* to build up a mechanism covering the entire process of terminal security management. The PBC enhanced risk control of transactions enabled with bank cards with magnetic stripes, completed the replacement of telephone POS terminals, and carried out accurate identification of risks and differentiated management, so as to enhance security of magnetic-stripe-based transactions. The PBC released the *Notice on Strengthening Security Management of Bar Code Payment* which put forward technical requirements for bar code payment in a systemic way, in order to regulate the innovation and application of bar code payment technologies. The PBC enhanced quality and security management of payment technology products and cooperated with relevant authorities to establish a unitary testing and authentication system across the country. The PBC examined the project of building a national lab for e-commerce and electronic payment and promoted the R&D and application of key and core technologies of the financial sector. The PBC continued to promote the application of financial IC cards and mobile payment, cooperated with the Logistics Support Department of the Central Military Commission of the CPC to promote the application of the second generation of security cards for military personnel, and promoted, jointly with the Ministry of Human Resources and Social Security, the application and administration of the third generation of social security cards. The PBC guided the China UnionPay in promoting the QuickPass application and integrating near-field contactless mobile phone payment with bar code payment, so as to build a universal portal for mobile payment.

CREDIT INFORMATION AND SOCIAL CREDIT SYSTEM

Plan for development of credit information market and prudently approve the establishment of market-oriented personal credit information agencies

It is pointed out at the 19th CPC National Congress that we should enhance integrity and guard against systemic financial risks. The 5th national financial work conference put forward the requirement of accelerating the establishment of a social credit system and of controlling and preventing financial risks in an all-round way. The PBC acts in accordance with the principle of the central government and makes great efforts in improving the credit information system which is the infrastructure of social credit system.

According to the strategy of building a credit information system that covers the entire country and to respond to the demands of the traditional financial institutions for credit information service, the PBC continued to make full use of the national financial credit information database operated by the PBC Credit Reference Center. As for financial institutions apart from traditional ones, in order to meet the demands of P2P institutions and other market players for credit information service, the PBC approved the establishment of market-oriented personal credit information institutions in an active yet prudent manner by promoting 8 market-based institutions to sponsor, jointly with the National Internet Finance Association of China, the launch of the Baihang Credit Scoring, so as to enhance supply of credit information services and to cover the entire personal credit information market.

Strengthen compliance regulation of credit information system and institutions connected to it

The PBC released rules and measures in terms of enhancing security awareness, improving internal control, establishing reporting and inspection mechanism, setting up emergency response system, and strengthening regulatory accountability and punishment, so as to improve the compliance regulation of institutions connected to the financial credit information database. The PBC built the system for dynamic registration and administration of enterprise credit information institutions and carried out compliance overhaul of such institutions that have registered, so as to regulate the development of enterprise credit information market. The PBC actively protected the rights and interests of owners of credit information by requiring commercial banks and other institutions connected to the credit information system to examine potential risks of information leakage and by monitoring how complaints are handled on a real-time basis.

Promote the opening-up and regulated development of credit rating market

First, promote opening-up of credit rating market in a prudent manner. The PBC evaluated the intensity of competition that foreign credit rating agencies would bring to the Chinese market and put forward the suggestion of promoting business development and orderly competition of Chinese and foreign credit rating agencies. It released a notice to specify the procedure and requirements for foreign credit rating agencies when they engage in interbank bond market. Second, enhance regulation of credit rating market. The PBC formulated, jointly with authorities including the National Development and Reform Commission (NDRC) and the CSRC, the *Temporary Methods of Administration of Credit Rating Sector* with the intention to build a unified and cross-market regulatory framework for credit rating business. The PBC strictly adhered to the registration of credit rating agencies and validated the information of such agencies by onsite inspection, cross-examination, and soliciting information from relevant authorities. Third, the PBC initiated credit rating of micro-loan companies and financing guarantee companies and explored to build a sustainable mechanism for credit rating of the abovementioned companies.

Push the development of social credit system to a new phase

First, the PBC took full advantage of the role as the leading institution of the inter-ministerial meeting for the establishment of social credit system and enhanced coordination with relevant authorities in enhancing and promoting social integrity. The PBC, jointly with the NDRC, organized the evaluation of demonstrative cities of building social credit system, and cooperated with NDRC and other authorities in establishing a joint reward and punishment mechanism where honest behavior will be rewarded jointly and dishonest actions will be punished jointly. In 2017, the PBC signed 15 memorandums on joint reward and punishment mechanism covering various areas and continued to enhance education on social credit to strengthen public awareness of integrity and rights protection. Second, promote the development of credit system for micro-small-and-medium-sized enterprises and for rural areas. The PBC guided local authorities in collecting, assessing and using the credit information of micro-small-and-medium-sized enterprises and farmers by focusing on building database and online service platform, and guided and promoted financial institutions and government authorities to formulate supporting policies and measures, so as to help highly-scored small-and-medium-sized enterprises and farmers to access financing, to lower their financing costs and to improve local credit environment. By the end of 2017, information of more than 2.61 million small-and-medium-sized enterprises across the country was added to the database or was improved, and an accumulative number of 180 million rural households built up their credit files. Balance of credit provided to the small-and-medium-sized enterprises and the rural households reached RMB11.17 trillion and RMB3.03 trillion respectively.

COLUMN

Promote the Establishment of Baihang Credit Scoring and Increase Effective Supply of Personal Credit Information

To realize the principles put forward by General Secretary Xi Jinping in his speeches that we should accelerate the establishment of a credit information system covering the entire country and promote the implementation of the national big data strategy, the PBC promoted the establishment of the Baihang Credit Scoring, which increased effective supply of personal credit information, so as to respond to the needs of preventing and resolving systemic financial risks in the new situation and of promoting inclusive finance.

Baihang Credit Scoring is built under the market-oriented principle of "common consultation, joint development, sharing and win-win" by 9 sponsors including the National Internet Finance Association of China, a self-regulatory organization, and 8 institutions previously engaged in personal credit information business, namely Zhima Credit, Tencent Credit Services, Qianhai Zhengxin, Pengyuan Credit Service, Kaola Zhengxin, China Chengxin Credit, Intellicredit, and Sinoway Credit. According to the master plan for the development of credit information sector, Baihang Credit Scoring collects information on personal lending from P2P institutions and other market players and information on personal debts from guarantee institutions, apart from traditional financial institutions in banking, securities, and insurance sectors, so as to provide personal credit information services for market players engaging in lending business. This will facilitate the development of a market structure where Baihang Credit Scoring and the Credit Reference Center of the PBC focus on different market sections and complement with each other, which will realize the entire coverage of personal credit information service across the whole country.

Personal credit information concerns personal privacy and financial security of the country, and is highly complex, sensitive and specialized. The PBC approves the establishment of personal credit information institutions in a prudent and strict manner, following the principle of "independence, fairness, and protection of personal privacy and rights", and enhances the in-process and ex-post regulation of personal credit information institutions according to relevant laws and regulations, so as to ensure security of personal information and to safeguard the legitimate rights and interests regarding personal information.

ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Deepen the reform of regulatory institutions and mechanisms for anti-money laundering, combating financing of terrorism, and anti-tax avoidance

In line with the arrangement of the Central Leading Group for Deepening Overall Reform, the PBC, the Ministry of Public Security, and the State Administration of Taxation led the effort to draft jointly with members of Inter-ministerial Joint Conference on Anti-money Laundering (AML) the *Opinions on Improving the Regulatory Institutions and Mechanisms for Anti-money Laundering, Combating Financing of Terrorism, and Anti-tax Avoidance*, which was published by the General Office of the State Council after been reviewed and endorsed at the 34th plenary of the Central Leading Group for Deepening Overall Reform. This is not only the most comprehensive top-down design of the national AML system since the *Law of the People's Republic of China on Anti-money Laundering* was unveiled ten years ago, but also China's general plan for deepening reforms in AML, combating financing of terrorism (CFT), and anti-tax avoidance.

Conduct national money laundering and terrorist financing risk assessment

The PBC and other relevant agencies conducted China's first national money laundering and terrorist financing risk assessment by introducing the World Bank's second generation national money laundering risk assessment tools. During the assessment, 670 thousand verdicts on money laundering and upstream crimes in recent years were collected, 18 ministries and 10 industry associations were invited to take part in the questionnaire survey, and 14 financial sub-sectors, 47 types of major activities, and 6 special non-financial sectors were assessed. After the assessment, risk prevention measures and action plans were recommended. Finally, a report was drafted on national money laundering and terrorist financing risk assessment.

Prepare for China's AML and CFT mutual assessment conducted by the Financial Action Task Force (FATF)

The PBC and members of Inter-ministerial Joint Conference on AML developed the preparatory work plan for mutual assessment. The 9th meeting of the Inter-ministerial Joint Conference on AML was convened to fully deploy the preparatory work for the mutual assessment by clarifying the division of labor among different departments and the timetable. The PBC held a briefing on AML in 2017 to inform responsible institutions of the latest developments on AML and assign the work to be done in mutual assessment, requiring them to improve AML compliance and effectiveness. According to the preparatory work plan for mutual assessment, a working group comprising relevant departments, industry associations, and regulated institutions was set up to prepare for mutual assessment in a coordinated manner. The PBC, together with relevant departments, prepared compliance assessment materials, based on FATF's international standards and assessment methodology.

Further improve AML institution building

The PBC published supporting documents for the *Administrative Measures for Financial Institutions' Reporting of Large-value and Suspicious Transactions*, and issued normative documents on strengthening customer identity verification, tightening administration of account opening, and implementing the UN resolutions, which further raised the requirements for responsible institutions to better fulfill AML mandate. The AML regulatory work procedures and standards were further improved, as the PBC adopted a rating system in assessing the AML efforts by incorporated financial institutions, and put in place data interface standards for onsite AML inspections to banking institutions and non-bank payment institutions. The PBC also advanced the efforts to develop AML regulations for precious metal exchanges, real estate sector, and social organizations, with some non-financial sectors and fields seeing positive developments in institution building.

Intensify accountability for AML supervision and penalty

First, continuously intensify AML law enforcement inspections. The PBC led the work to conduct special AML law enforcement inspections of 1 708 responsible institutions by integrating central and local efforts, with non-compliance addressed in line with relevant rules and regulations, and the total penalties exceeding RMB100 million. Second, flexibly adopt a mix of regulatory measures to continuously improve the compliance and risk management at responsible institutions. The PBC rated the AML work done by incorporated responsible institutions and reviewed AML measures adopted by payment institutions before renewing their payment licenses. It assigned ratings to 37 463 institutions, assessed the risk of 1 022 institutions, questioned 1 169 institutions, held regulatory talks with 1 923 institutions, and paid regulatory visits to 5 694 institutions.

Conduct AML investigations and funds monitoring

The PBC had an in-depth analysis of the typology of money laundering, issued risk alerts on new developments in organized foreign exchange purchases, illegal cross-border fund transfers, internet-enabled pyramid selling and terrorist financing, and offered guidance to responsible institutions in strengthening customer identify verification and suspicious transaction reporting. Efforts were made to fully enhance CFT and actively assist relevant departments in cracking down on fraudulent export tax rebate and VAT over-invoicing, and on transferring illegal gains through offshore firms and underground banks, which achieved remarkable effects.

In 2017, the PBC identified and received 10 265 clues and opened an investigation on 809 of them after screening. It provided 2 667 clues to investigation agencies and assisted in investigating 1 790 cases. The PBC played an effective role in maintaining national security, social stability, and financial stability through fulfilling AML mandate, as incomplete statistics showed that it assisted in closing 366 cases, some of which involved massive funds and had a nationwide impact.

The China Anti-money Laundering Monitoring and Analysis Center (CAMLMAC) steadily pushed forward the development of the second generation AML monitoring and analysis system, and improved the funds monitoring model for suspicious transactions to further strengthen funds monitoring for AML, CFT, and anti-tax avoidance as well as other illegal economic and financial activities. In 2017, 3 116 reporting institutions submitted 2.72 million suspicious transaction reports in total, slumping 49.89 percent from 2016. The quality of reports improved notably despite a decline in the number of reports. Supported by strong monitoring data, the accuracy of reports kept improving.

Promote international cooperation on AML

The PBC actively participated in the decision-making regarding the FATF's internal governance reform, standard setting and revision, as well as the FAFT member mutual assessment. It also played a constructive role in the governance reform, the drafting and revision of major documents, a fresh round of mutual assessment and typology study under the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the Asia/Pacific Group on Money Laundering (APG). The PBC became the new chair of EAG. Efforts were also made to deepen bilateral cooperation on AML. The PBC signed a *Memorandum of Understanding on Regulatory and Compliance Information Exchange* with the Australian Transaction Reports and Analysis Center, and began substantive consultations with over 10 countries and regions on signing the memorandum of understanding (MOU) on AML regulatory cooperation. It participated in the 8th China-US AML/CFT Seminar with positive outcomes. The CAMLMAC signed the MOU on financial intelligence exchange and cooperation with financial intelligence units (FIUs) from 7 countries, such as Italy. Communication with overseas AML regulatory authorities was strengthened and guidance was offered to overseas Chinese-funded banks to help them properly handle major compliance risk events.

FINANCIAL CONSUMER PROTECTION

Continuous progress was made in improving financial consumer protection system

The PBC promoted the enforcement of the *Implementation Measures of the People's Bank of China for Financial Consumer Protection* by financial institutions, and organized the formulation of the *Detailed Rules for Evaluating Financial Institutions' Financial Consumer Protection* and supporting indicator system so as to provide a scientific and valid institutional reference for the evaluation of financial institutions.

Notable achievements were made in financial consumer education

The PBC has scientifically planned activities to improve financial literacy and educate financial consumers. First, the PBC conducted a series of intense activities to popularize financial knowledge such as 'March 15 – Day for Financial Consumer Rights', 'Enhance Financial Literacy to Protect Moneybag' and 'Financial Knowledge Month'. Second, the PBC carried out a nationwide survey about consumers' financial literacy, and published the *Survey and Analysis of Consumers' Financial Literacy* in both Chinese and English. Third, the PBC actively promoted the integration of financial knowledge into the national education system by strengthening communication with local governments and education departments and exploring pilots to include financial knowledge into national education system. Fourth, the PBC organized the compilation of materials for popularizing financial knowledge. In accordance with the development of financial situations, the PBC organized the compilation and revision of the *Reading Materials for Popularizing Financial Knowledge*.

Supervision, inspection, and evaluation work were pushed ahead steadily

The PBC carried out nationwide supervision and inspection of financial consumer protection in payment services, conducted an evaluation of financial consumer protection institutions, and steadily advanced the pilot of evaluating financial consumer protection environment and improved the indicator system for environment evaluation. Meanwhile, the PBC explored introducing the system for typical case publicity and regulatory information disclosure. In addition, the PBC published the *Typical Cases in Financial Consumer Protection (2016)*.

The acceptance and handling of financial consumer complaints were increasingly standardized

'12363 hotline for financial consumer inquiry and complaints' operated smoothly. The PBC published the *Analysis Report on Accepting and Handling Financial Consumer Complaints and Typical Cases* on a quarterly basis. The PBC advanced further the pilot application of classification standards for financial consumer complaints. The project of formulating classification standards for financial consumer complaints in the banking sector was approved by China Financial Standardization Technical Committee (CFSTC), and the draft work started officially. Meanwhile, the PBC continuously enhanced the pilot of alternative third-party resolution mechanism for financial consumption disputes, explored establishing an online mediation system for financial consumer disputes, and aimed to create a nationwide mediation network for mediating financial disputes. In addition, the PBC conducted pilot of neutrality evaluation for financial consumption disputes.

Financial inclusion was promoted orderly

The PBC, jointly with the CBRC, led in formulating the *Plan to Promote Financial Inclusion Development (2016-2020)* and established a coordination mechanism for the PBC to promote financial inclusion. Besides, the PBC built and improved China financial inclusion indicator system and filling rules, and sought to construct a mechanism for regular data collection. The PBC actively pushed large and medium-sized commercial banks into setting up financial inclusion business divisions. Meanwhile, the PBC provided guidance for pilot regions of financial inclusion so as to ensure that various businesses were conducted in a steady and orderly manner, and promoted the formulation of local plans for financial inclusion development and implementation. In addition, the PBC enhanced its cooperation and communication with international community in financial inclusion, and partnered with the World Bank in writing *China Financial Inclusion in Global Perspective: Practices, Experiences, and Challenges*.

COLUMN

Setting up Standards On Classifying Financial Consumer Complaints

Financial consumer complaint data can not only duly demonstrate how well financial institutions implement the regulatory policies of financial authorities and their own internal controls, but also fully reflect the opinions and demands of financial consumers on financial products and services. Financial authorities in major countries around the world all attach great importance to the collection and analysis of financial consumer complaint data. Therefore, it is necessary to build scientific and unified classification standards for financial consumer complaints and to regulate and unify financial institutions' classification of complaints and data submission. This, on the one hand, will help financial institutions improve their handling of complaints and improve their internal management and service quality. On the other hand, it will help financial authorities to collect comprehensive complaint data for analysis, to identify, alert, and resolve common problems and risks across the industry and to provide data support for decision making.

Based on international experiences and in light of China's circumstances, the PBC has conducted statistical analysis of data on how the whole system accepts and handles financial consumer complaints, and has designed a set of standards for classifying financial consumer complaints. Through three dimensions – complain channel, complained business, and complain reason, the standards adopt a multi-layered system and seek to classify and compile financial complaint data within a certain time span.

In order to test whether such standards match the internal business lines and management procedures of financial institutions so as to ensure it is feasible and operational, PBC has conducted 3 pilot programs on the application of standards to classify financial consumer complaints. By the end of 2017, the pilot programs had covered four large state-owned commercial banks - the Agricultural Bank of China, the Bank of Communications, the Bank of China, and the China Construction Bank; eight joint-stock commercial banks – China CITIC Bank, China Everbright Bank, Huaxia Bank, China Minsheng Bank, China Merchants Bank, Industrial Bank, China Guangfa Bank, and Shanghai Pudong Development Bank; one foreign incorporated bank – HSBC China; and 108 locally incorporated banking financial institutions from 31 provinces (regions and municipalities) across China.

While conducting pilot programs, the CFSTC, after earlier registration and evaluation, officially issued plans for formulating financial sector standards – the *Statistical Classification and Code of Financial Consumer Complaints* in November 2017. In December, PBC, jointly with the CBRC, set up a leading group for standard compiling and a working group for standard drafting, made work plans for formulating the standards, and officially started the compiling of the standards. In January 2018, upon reviewing the draft, the leading group for formulating standards sought opinions and advices from members of the CFSTC and other experts. Based on their comments, the working group for standard drafting revised and improved the draft standards, which, upon the review of the leading group, was ready for submission and review. At present, the draft standards and related materials have already been submitted to the secretariat of the CFSTC for review. For the next stage, efforts will continuously be made to push forward the formulation and implementation of the standards.

INTERNATIONAL FINANCIAL COOPERATION AND GLOBAL ECONOMIC GOVERNANCE

Deepen engagement in and play a leading role in global economic governance through the G20, the IMF, and other platforms

Actively participating in global economic and financial governance and macroeconomic policy coordination in a pragmatic and constructive manner, the PBC was engaged in a range of issues under the G20 finance track, and led the discussion on many important topics concerning global macroeconomic policy. With such efforts, the Hamburg Summit carried on the commitments made on the G20 Hangzhou Summit, and further progress was made on key issues including "strong, sustainable, and balanced growth", international financial architecture, financial sector reform and regulation, initiative to enhance cooperation with Africa, FinTech, green finance, financial inclusion and etc.

Financial cooperation among BRICS countries produced results, and the BRICS Xiamen Summit was successfully convened. Outcomes were achieved among BRICS countries on establishing a local currency bond fund, expanding the network of financial institutions and financial services, developing and improving the BRICS Contingent Reserve Arrangement (CRA), which were incorporated into BRICS Leaders *Xiamen Declaration*.

The PBC participated in various issues under the IMF. The PBC urged that strong momentum be maintained for the 15th quota reform, and that consensus be achieved as soon as possible on the reform plan. Besides, the IMF came to objective conclusion of the Article IV consultation on economic and financial developments in China, enhancing confidence of the international community in the Chinese economy.

Continue engagement in international financial reform and rule-making

The PBC took an active part in a range of activities and making of key decisions of international standard-setting institutions such as Financial Stability Board (FSB), Bank for International Settlements (BIS), and Basel Committee on Banking Supervision (BCBS). 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 promoted the revision of the Basel III accord via the BIS and other channels, and its finalized version was published in 2017. The PBC extensively participated in FSB discussion on shadow banking regulation, reform of OTC derivatives, data gap, FinTech and cyber security, monitored implementation of relevant standards, and promoted the convergence of domestic standard with international standard.

Promote financial support for the Belt and Road Initiative, and enhance investment and financing cooperation with relevant countries

In line with the core of the Belt and Road Initiative, the PBC proposed that it should be jointly built through consultation to meet the interests of all, let market play the decisive role, and that use of local currencies should be enhanced, adding to the theoretical system and top-down design of the Belt and Road Initiative. Meanwhile, a multi-tier investment and financing framework was built, safeguarding smooth operation of equity investment funds such as the Silk Road Fund, giving full play to development finance, and improving network of financial institutions and services. In May 2017, the 1st Belt and Road Forum for International Cooperation was held in Beijing, on which occasion President Xi Jinping announced a series of important outcomes, including additional contribution to the Silk Road Fund, encouraging financial institutions to conduct overseas RMB funds, and setting up capacity building center with the IMF. During the summit, the PBC co-hosted a thematic session on financial connectivity, and held discussions with international institutions such as the IMF, relevant countries, and financial institutions, which enhanced financial support for the Belt and Road Initiative.

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

The PBC actively participated in the periodic review of the Chiang Mai Initiative Multilateralization (CMIM), and enhanced coordination and cooperation between the CMIM and IMF to safeguard 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), and promoted the development of the Asian bond market. 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.

Adopt 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 April, President Xi and President Trump agreed to carry out the 100-day action plan under the mechanism of China-US Comprehensive Economic Dialogue (CED). In May, initial results of the action plan were published, including 10 outcomes, and 5 of them were promoted by the PBC. In July, the PBC participated in the 1st round of CED held in Washington D.C., and also discussion on the 100-day action plan, the one-year economic plan, global economy and governance, macroeconomic policies, and the financial sector. In November, President Trump visited China, and reached consensus with President Xi on many fronts concerning Sino-US relation. A series of important measures on further opening-up of the financial sector taken by the PBC, CBRC, CSRC, and CIRC were released after the meeting.

Sino-Europe financial cooperation yielded positive results. In June, the 19th China-EU summit was held in Brussels. Taking this opportunity, the PBC enhanced Sino-Europe financial cooperation, bridged the Belt and Road Initiative and Investment Plan for Europe, promoted European regulatory authorities to provide easy access and a level playing field for Chinese financial institutions and financial service provision, and the ECB added the Chinese yuan to its reserve portfolio. In the same month, Premier Li Keqiang and German Chancellor Merkel met in Berlin under the annual meeting mechanism between the Chinese premier and German chancellor. In December, the 5th Sino-France High-level Economic and Financial Dialogue was successfully held, reaching 71 items of policy outcome and consensus, among which 24 were facilitated by the PBC. The PBC also took part in the 9th Sino-UK Economic and Financial Dialogue in Beijing, producing 72 outcomes in the energy and financial area, with 19 facilitated by the PBC.

Financial cooperation with neighboring countries continued to deepen. Sino-Russia and Sino-Kazakhstan cooperation mechanism were better tapped and bilateral financial exchange expanded. Consensus was made on many fronts including rollover of local currency swap, signing of memorandum on gold cooperation between gold exchanges, improving network of financial institutions and services, as well as regulatory cooperation. The PBC actively supported cross-border RMB innovation of Sino-Kazakhstan Horgos border cooperation center. Sino-Indonesia financial cooperation made headway, and the central bank of Indonesia set up its representative office in China with the help of the PBC. Role of the Sino-Vietnam Working Group on Financial and Monetary Cooperation as the platform for bilateral financial dialogues was put into full play. Efforts were made to enhance financial cooperation and exchange with frontier provinces and neighboring countries. Local currency settlement of trade and investment with Meikong river countries were expanded, and cross-border RMB clearing arrangement improved. Regional listing and trading as well as direct trading of Meikong river countries were promoted.

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

Investment and financing cooperation under the Belt and Road Initiative was promoted leveraging on the platform of multilateral development banks. Joint financing with Inter-American Development Bank, European Bank for Reconstruction and Development, and African Development Bank functioned smoothly. With the help of the PBC, the Sino-Pakistan fund was set up, and business of the Silk Road Fund, China-Latin America Capacity Cooperation Fund, Sino-Africa Capacity Cooperation Fund expanded. A series of measures were taken to help Chinese-funded enterprises and financial institutions go global, and arrange enhanced exchange between domestic financial institutions and enterprises with multilateral institutions and central banks of African and Latin American countries, in order to explore investment opportunities for trade and investment with the two regions.

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Financial Support to the Belt and Road Initiative

In 2013, President Xi Jinping put forward "the Belt and Road Initiative" (BRI), which comprises of policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond. The PBC has been active in promoting financial integration and motivating financial services to support the BRI. The PBC also proposed the principles for financial cooperation under the BRI and clarified the major tasks.

Principles of financial cooperation under the BRI

The first principle is consultation, contribution, and shared benefits. Most countries along the Belt and Road are developing countries, with substantial demand for financing to stimulate economic and social development, which exceeds the capacity of any single country and could not merely rely on government fund. Therefore, on the one hand, countries along the Belt and Road need to be mobilized by creating a bond with a mutually beneficial prospect and by building a community of common destiny with highly integrated interests. On the other hand, market forces need to be tapped to mobilize various resources such as financial institutions and capital markets so that we can discuss cooperation plans and share the benefits by joint development.

Second, it is enterprises that should act as the main body based on market and reciprocity principles. The BRI advocates "consultation, contribution, and shared benefits", which means that financial cooperation is not one-way financial assistance, but two-way win-win cooperation, and that sustainable financing is needed in a market-oriented manner rather than relying on subsidized concessional financing. Only full commitment to market-orientation and commercial viability can help guarantee the sustainability of the cooperation in investment and financing.

The third principle is to use local currencies whereas possible. Use of local currencies are encouraged as much as possible in the financial cooperation under the BRI. This would contribute to mobilizing local resources, leveraging more local and international capital, saving exchange conversion cost, reducing exchange rate risks, mitigating the reliance on the US dollar and other currencies, safeguarding financial stability, and pushing forward the reform of the international monetary system.

Major tasks in the BRI

First, advantages of development finance should be fully explored. In recent years, the China Development Bank and the China EXIM Bank have found a path of development finance in the process of financial cooperation with other countries, which differs from both concessional and commercial financing. The development finance with Chinese characteristics enjoys many advantages, such as serving the national strategy, not relying on government subsidy, providing long-term support, and playing an exemplary role. The BRI projects are characterized by long maturity and substantial demand for financing. Thanks to the above-mentioned advantages, development finance can play an important role.

Second, efforts are needed to promote the network of financial institutions and coverage of financial services. Cooperation in trade and investment under the BRI will generate huge demand for supporting financial services. However, Chinese financial institutions have limited presence in the countries along the BRI that they couldn't sufficiently meet the demand for financial services. Therefore, promoting the network of financial institutions and coverage of financial services would not only contribute to trade facilitation, but also effectively mobilize local savings, promote development of local financial markets, better achieve financial integration and risk sharing, but also promote the use of local currencies in outbound investment.

Third, the initiatives announced on the 1st Belt and Road Forum for International Cooperation will be earnestly implemented. In May 2017, the 1st Belt and Road Forum for International Cooperation was held in Beijing. The PBC has actively participated in financial cooperation under the BRI through three major initiatives, i.e. capital replenishment for the Silk Road Fund, encouraging financial institutions to undertake the overseas RMB fund business, and setting up the China-IMF Capacity Development Center. The initiatives have been implemented smoothly. In particular, the overseas RMB fund business attaches importance to sole responsibility for one's own risks, profit or losses based on independent operation and self-discipline, operating within the existing policy framework, and necessary risk separation from other businesses.

COLUMN

Financial Cooperation Outcomes at the BRICS Summit in Xiamen

Between September 3 to 5 in 2017, President Xi Jinping hosted in Xiamen the 9th BRICS Summit under the theme of "BRICS: Stronger Partnership for a Brighter Future". *Xiamen Declaration* was released after the Summit, broad consensus was reached, and a series of important outcomes were achieved to strengthen financial cooperation of BRICS countries.

The PBC was deeply engaged in the preparations and consultations prior to the Summit. The PBC held two Finance Ministers and Central Bank Governors Meetings and one Deputies Meeting together with the MOF, and hosted independently three working group meetings and multiple teleconferences to promote continued communication and coordination on macroeconomic and financial policies and the major G20 issues among BRICS countries. In particular, five major outcomes in financial cooperation were included in the *Xiamen Declaration*, laying the foundation for the successful conclusion of the Summit.

First, the BRICS Local Currency Bond Fund (BBF) was established. Against the backdrop of monetary policy normalization of the major economies, BRICS countries have been faced with the challenge of capital flow volatility. Meanwhile, their local currency bond markets are to be further developed. Therefore, the PBC this year initiated the proposal of establishing the BBF. Drawing on the experience of the Asian Bond Fund II, the BBF, co-funded by the BRICS countries, will invest in the local currency bond markets of BRICS countries to improve financial market infrastructure and enhance the resilience to external shocks. In response to the technical questions raised at the initial stage, the PBC enhanced communication through multilateral channels such as the G20, IMF/World Bank Spring Meetings and Annual Meetings, and bilateral meetings to galvanize support and participation of the BRICS countries. Meanwhile, the PBC took the lead in setting up the BBF Working Group, fully tapped the expertise of the BIS and other international organizations, and conducted multiple rounds of discussions and consultations to address the various concerns of the other parties, which finally helped reach a broad consensus. The *Xiamen Declaration* states that "promote the development of BRICS Local Currency Bond Markets and jointly establish a BRICS Local Currency Bond Fund, as a means of contribution to the capital sustainability of financing in BRICS countries, boosting the development of BRICS domestic and regional bond markets, including by increasing foreign private sector participation, and enhancing financial resilience of BRICS countries."

Second, the network of financial institutions and coverage of financial services will be expanded. The limited presence of financial institutions from one BRICS country in the others is difficult to meet the requirement for the cooperation in trade and investment. Under this background, the PBC launched the initiative of expanding the network of financial institutions and coverage of financial services, and successfully reached agreement amongst all the parties. In the *Xiamen Declaration*, BRICS leaders agreed to "facilitate financial market integration through promoting the network of financial institutions and the coverage of financial services within BRICS countries, subject to each country's existing regulatory framework and WTO obligations, and to ensure greater communication and cooperation among financial sector regulators."

Third, the Contingent Reserve Arrangement (CRA) will be improved. As a useful supplement to the global financial safety net, the CRA has become operational, but still needs further improvements by strengthening its research and surveillance capacity and avoiding moral hazards. The PBC worked with the other parties to reach consensus on further improving the research capacity of the CRA based on the existing System of Exchange in Macroeconomic Information. In the *Xiamen Declaration*, BRICS leaders acknowledged that "The BRICS CRA represents a milestone of BRICS financial cooperation and development, which also contributes to global financial stability. We welcome the establishment of the CRA System of Exchange in Macroeconomic Information (SEMI), and the agreement to further strengthen the research capability of the CRA, and to promote closer cooperation between the IMF and the CRA."

Fourth, monetary cooperation will be strengthened. Against the backdrop of rising uncertainties in the global economic conditions, all parties of BRICS recognized the importance and necessity of monetary cooperation. Through the PBC's efforts, all parties agree to enhance communication on monetary issues such as local currency swap, local currency settlement, and direct investment in local currencies. In the *Xiamen Declaration*, BRICS leaders agreed "to communicate closely to enhance currency cooperation, consistent with each central bank's legal mandate, including through currency swap, local currency settlement, and local currency direct investment, where appropriate, and to explore more modalities of currency cooperation."

Fifth, AML/CFT cooperation will be enhanced. Due to the serious challenges of counter-terrorism faced by the international community, the PBC facilitated the consensus among BRICS countries to take an active part in improving and implementing the international standards on AML/CFT to safeguard the stability of the financial system. In the *Xiamen Declaration*, BRICS leaders agreed to "take an active part in the efforts to implement and improve International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation in FATF, including through cooperation among BRICS Heads of Delegation on AML/CFT, also in the context of the work of BRICS CTWG and by using other platforms and to safeguard integrity of national financial systems."

MAINLAND'S FINANCIAL COOPERATION WITH HONG KONG SAR, MACAO SAR, AND FINANCIAL SECTOR INTERACTION WITH TAIWAN PROVINCE

RMB business in and financial cooperation with Hong Kong SAR and Macao SAR

The PBC steadily pushed forward the development of RMB business in Hong Kong SAR and Macao SAR (hereinafter referred to as Hong Kong and Macao). It renewed the *Agreement on RMB Clearing Business* with the Bank of China Hong Kong and the Bank of China, Macao Branch in June and September 2017 respectively, authorizing them to continue to act as the RMB clearing banks in Hong Kong and Macao. Throughout 2017, Hong Kong conducted RMB4.57 trillion worth RMB payments and receipts with the Mainland, accounting for 49.7 percent of all cross-border RMB receipts and payments, and the largest among all the countries and regions. During the same period, issuance of RMB-denominated bonds reached RMB17.48 billion. By the end of 2017, a total of RMB751.44 billion of RMB-denominated bonds have been issued in Hong Kong, including RMB428.81 billion issued by overseas institutions, RMB178 billion issued by the MOF, and RMB144.63 billion issued by Mainland institutions. As of the end of 2017, outstanding RMB deposits in Hong Kong recorded RMB559.14 billion, up by 2.27 percent year on year. Throughout 2017, RMB receipts and payments between Macao and the Mainland totaled RMB153.01 billion, accounting for 1.7 percent of the total cross-border RMB receipts and payments with the Mainland, or the tenth largest among all the countries and regions. At the end of 2017, outstanding RMB deposits in Macao posted RMB36.85 billion, an increase of 0.82 percent year on year.

Financial exchange and cooperation with Hong Kong and Macao continued to strengthen. In 2017, Governor Zhou Xiaochuan met with Ms. Carrie Lam Cheng Yuet-ngor, Chief Executive of Hong Kong, Mr. Norman Chan, Chief Executive of the Hong Kong Monetary Authority (HKMA), Mr. Paul Mo-po Chan, Financial Secretary of Hong Kong, and a delegation of the Hong Kong Association of Banks. Deputy Governor Yi Gang met with Li Xiaojia, Executive Director of the Hong Kong Stock Exchange, Leong Vai Tac, Secretary for Economy and Finance of Macao, and Anselmo Teng, Executive Director of the Macao Monetary Authority. Deputy Governor Pan Gongsheng met with Eddie Yue, Deputy Chief Executive of the HKMA. Deputy Governor Yin Yong met with participants of the Hong Kong Young Finance Professional Program. Assistant Governor Zhang Xiaohui met with Howard Lee, Senior Executive Director of the HKMA. The top leadership exchanged views in depth on economic and financial developments in Hong Kong and Macao, capital market connectivity, offshore RMB businesses, RMB internationalization, and the Belt and Road Initiative (BRI), among others, with a view to jointly promoting financial cooperation. The Bond Connect program between the Mainland and Hong Kong was launched in July 2017, through which offshore investors could purchase bonds on the Mainland market in an efficient and convenient manner. Also in July, the quota of the RMB Qualified Foreign Institutional Investors program for Hong Kong was increased by RMB230 billion to RMB500 billion, which broadened the channels through which Hong Kong RMB-holders could invest in the onshore market, further opened up the Mainland's capital market, and strengthened the role of Hong Kong as the global RMB business center. In the meantime, the PBC worked with other government agencies to forcefully support Hong Kong to continue to play an important role in the key development strategies such as the BRI, the initiative of Guangdong, Hong Kong and Macao Greater Bay Area, and RMB internationalization.

RMB business and financial sector interaction with Taiwan province

RMB business in Taiwan province (hereinafter referred to as Taiwan) remained basically stable. Actual RMB receipts and payments across the Taiwan Strait amounted to RMB301.84 billion in 2017, accounting for 3.3 percent of all cross-border RMB receipts and payments, and making Taiwan the 6th largest among all countries and regions conducting RMB business with the Chinese Mainland. By the end of 2017, the outstanding RMB deposits posted RMB322.25 billion (including transferrable term certificate of deposit), up 3.55 percent year on year, accounting for 4 percent of the entire outstanding deposits in Taiwan, and 23 percent of the outstanding foreign currency deposits. In 2017, the RMB settlements made by banking institutions in Taiwan through the Bank of China Taipei Branch registered RMB349.45 billion, down by 5.5 percent quarter on quarter and by 7.6 percent year on year. In 2017, three Formosa bonds were issued, totaling RMB2.37 billion, nine bonds fewer than in 2016, or a decrease of RMB5.85 billion year on year. At the end of 2017, issuance of RMB-denominated bonds reached RMB54.18 billion, and outstanding RMB-denominated funds stood at RMB16.49 billion.

In December 2017, the 22nd Seminar on Financial Cooperation across the Taiwan Strait was held in Beijing, which was hosted by the China Society for Finance and Banking, and organized by the Taipei Foundation of Finance, Chung-Hua Institution for Economic Research, and Taiwan Financial Services Roundtable. Li Dongrong, head of the National Internet Finance Association of China, attended and addressed the seminar. The seminar had in-depth exchanges on such topical issues as development and regulation of FinTech, green finance, how the banking sector should support science & technology, and cultural and creative industries, development and regulation of the commercial paper market, and private banking.

HUMAN RESOURCES

Staff composition

As of end-2017, the number of PBC staff reached 126 169, including 18 345 staff working in the China Banknote Printing and Minting Co. Ltd and its subsidiaries.

Among the total, 45 051 staff or 35.71 percent are female 1 200 or 0.95 percent hold PhD degrees, 14 187 or 11.24 percent hold Master's degrees, 70 778 or 56.10 percent hold Bachelor's degrees. As for the staff at the PBC Headquarters, 170 or 22.58 percent are PhD degree holders, 448 or 59.50 percent are Master's degree holders, and 116 or 15.41 percent are Bachelor's degree holders. In 2017, 3 798 new staff members were recruited from the year's graduates and other entities through public channels, and 4 551 staff members retired.

On organizational structure, among the PBC staff, 753 are in the PBC Headquarters (including both staff managed by the Civil Servant Law and staff in PBC affiliated units), 594 are in the Shanghai Head Office, 2 061 are in the PBC direct affiliates, 6 190 are in branches and operations offices (including operations offices under the branches), 8 741 are in sub-branches in provincial capital cities, 1 408 are in sub-branches in provincial-level municipalities, 43 390 are in sub-branches in prefectural-level cities, and 43 951 are in county-level sub-branches.

In terms of the age structure, 21 421 are under 30 years old, 11 518 are between 31 and 35 years old, 10 486 are between 36 and 40 years old, 16 539 are between 41 and 45 years old, 28 396 are between 46 and 50 years old, 24 591 are between 51 and 54 years old, and 13 218 are 55 years old or above.

Team-building and cultivation of talents

In 2017, the PBC thoroughly studied and implemented Xi Jinping Thought on Socialism with Chinese Characteristics in New Era as well as the guiding principles of 19th CPC National Congress, persisted in Party's supervision of officials, and put the standard to assess the caliber of officials into practice by strengthening "four consciousness" and "four confidence". With a focus on PBC's mission in the new area, remarkable achievements have been made in the aspects of "official elections and leadership coordination, talent cultivation and attraction, focusing on grassroots and laying the solid foundation, training for quality improvement, changing work style and setting up a good image", providing strong organizational and personnel support to fulfill its responsibilities in the new area.

First, the PBC thoroughly studied and implemented Xi Jinping Thought on Socialism with Chinese Characteristics in New Era as well as the guiding principles of 19th CPC National Congress, placed the Party building as the priority, and facilitated "Studies on the Theoretical and Practical Issues in Party Building" as a regulation and regular task. The PBC representatives to 19th CPC National Congress were earnestly elected. Studying, disseminating, and acting on the principles set forth at the Congress is and will remain the prime political task at present and for a time to come, the PBC fully understood the historical status and connotation of Xi Jinping Thought on Socialism with Chinese Characteristics in New Era, and guided the officials to devote their wisdom and strength to the strategic deployment and important tasks put forward by the congress. Having a clear-cut stand in politics, the PBC firmly implemented the supreme political principles and fundamental political rules that safeguarded the authority and unified leadership of the CPC Central Committee with Xi Jinping at the core. The central bank also carried out the Code of Conduct for Intraparty Political Life under New Circumstances to tighten intraparty political conduct and to purify political environment within the Party, urged Party committee (Party group) at all levels to facilitate "Studies on the Theoretical and Practical Issues in Party Building" as a regulation and regular task, and ensured it properly implemented.

Second, the PBC adopted the correct guidance of official selection and appointment, improved team-building and cultivation of talents to enhance capacity-building. Sound criteria were emphasized to select officials strictly by their political ideals, character, conduct, and integrity. The official inspection index system was of constant improvement, constructing a comprehensive system for official analysis and evaluation. Leadership capacity-building was strengthened, especially the selection and appointment of principals, and the staff age structure was optimized by the rational appointment of officials in all ages. In 2017, 81 director-generals were elected or appointed, 67 director-generals were exchanged or moved to parallel positions, including 15 principals of departments, bureaus, direct affiliates and other units, and 6 principals of department-level branches and sub-branches.

Third, following the requirements of central government that cultivate officials at the grassroots and in areas with difficult conditions, the PBC cultivated qualified and professional officials. Both the channels and efforts for officials exchange were improved under the guidance of attaching importance to grassroots and practice. In 2017, 64 officials in the Headquarters were dispatched to areas with difficult conditions or complicated circumstances or to the frontline of financial market for work exchange; 72 officials at the director level or below in branches and sub-branches were exchanged between the East and the Midwest, as well as between bureau-level branches and prefectural-level sub-branches, which reinforced exchange and communication between different branches and sub-branches, and improved their ability to analyze and solve problems with rich experience and broad view.

Forth, the PBC attached equal importance to incentives and restraints, and carried out strict supervision on officials to promote the sound development. It strengthened the regular management and supervision of officials, by having an insight into the information of officials on the basis of concentrated education in the Party, meetings of criticism and self-criticism among members in leadership positions, the inspection, supervision on official election and appointment, and assessment of leadership, and by disposing of the matters that showed wrong trends and tendencies. It strictly implemented the "four requirements for promotion", so as to prevent official promotion that was under the sound criteria of self-discipline and integrity.

Fifth, professional titles evaluation system was further improved, and the cultivation of talents was fully fostered. The PBC implemented Opinions on Deepening the Reform of the Professional Title System of the central government, and improved the criteria of talent evaluation, emphasizing their moral characters, performance, and abilities. By the end of the year, 6 444 people had obtained senior professional and technical qualifications in the PBC system. In 2017, the PBC promoted talent cultivation in international organizations, and took the lead in introducing high-level overseas financial talent. 1 candidate for the long-term innovative talent program and 2 candidates for the youth project under the "Thousand Talents Plan" were recommended to the Organization Department of the Central Committee of the CPC.

Sixth, focusing on education of ideals and beliefs, the PBC adopted a demand-oriented and problem-oriented approach to promote training system innovation, contributing to sound education and training for officials. Training courses were conducted to study the guiding principles of the sixth Plenary Session of the 18th CPC Central Committee and the 19th CPC National Congress. 5 symposiums on studying and implementing the guiding principles of the 19th CPC National Congress were arranged for director-generals involving 479 director-generals, which applied Xi Jinping Thought on Socialism with Chinese Characteristics in New Era to gain the command, guide the practice and push forward the work. The central bank strictly implemented the training plan, in 2017, 91 face-to-face training courses involving 55 495 person/day were held, 17 online training programs with 186 new online courses were offered for more than 180 thousand staff.

Seventh, following strict disciplines and improved arrangements, the PBC constantly enhanced standardized arrangements of its staff recruiting. To ensure fairness, openness, and justice in staff recruiting, the PBC reinforced supervision and guidance on recruitments in branches and direct affiliates, including dispatching interviewers, required qualified interviewers with certificates, and provided the universal interview question lists. The specialized third party agencies with national authority were introduced to outsource the written examinations, which improved recruitment arrangements as well as professional qualification of the recruitments.

COLUMN

Fully Fulfill Central Bank Mandates in the New Era by Earnestly Studying and Implementing the Essentials of the 19th National Congress of the CPC

The 19th National Congress of the CPC is a meeting of great importance taking place during the decisive stage in building a moderately prosperous society in all respects and at a critical moment as socialism with Chinese characteristics has entered a new era. This meeting calls for the Party to secure a decisive victory in building a moderately prosperous society in all respects, to strive for the great success of socialism with Chinese characteristics in a new era, and to work tirelessly to realize the Chinese Dream of national rejuvenation. It holds high the banner of socialism with Chinese characteristics, sums up the historic achievements and changes since the 18th National Congress of the CPC, confirms the historic position of the Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era (the Thought), and makes the major political judgment that the principal contradiction facing the Chinese society has evolved into the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life. The meeting elaborates on the historic mission of the CPC in the new era, confirms the grand mission of the Party and the Nation, sets forth the fundamental policies and strategies to adhere to and to develop for socialism with Chinese characteristics in the new era, and makes comprehensive arrangements to promote the great construction of socialism with Chinese characteristics and the Party.

The PBC always attaches great importance to the study, publicity, and implementation of the principles of the 19th National Congress, regarding them as the primary political task, and making great efforts to fully implement them in concrete ways. Since October 2017, the central study group of the PBC Party Committee organized three group studies, earnestly studied and understood the Thought, and made arrangements for the publicity and implementation for all PBC officials. Under the overall arrangements of CPC Central Committee, the PBC Party Committee timely launched the study and publicity plans, held video-conferences to mobilize all PBC officials, and organized specific publicity meetings. Members of the PBC Party Committee took the lead in the whole process on various occasions, such as specific seminars for officials of leading roles or assisting roles of departments or equivalents, the PBC party school, branches, entities directly affiliated to the PBC, and the departments and divisions of the PBC Headquarters. As a result, the PBC saw a wave of study in the whole system. Meanwhile, concentrated training for officials above the level of directors was conducted in categorized ways, and systematic training for all party members were made in phased ways. The study of the principles of 19th National Congress is now the main training content for PBC officials, which is integrated into the teaching arrangements of all PBC party schools and training colleges. At the annual democratic consultation meeting of PBC Party Committee in 2017 and the PBC work conference in 2018, the PBC strengthened the study of the principles of the 19th National Congress, regarded it as the theoretical and action guidance for the work in 2018, and made specific arrangements.

PBC Party Committees at all levels and all party members will rally more closely around the CPC Central Committee with Comrade Xi Jinping at the core. We will willingly maintain political integrity, think in big-picture terms, uphold the leadership core, and keep in alignment. We should also strengthen our confidence in the path, guiding theories, political system and in China's culture, seeking unity in thinking and actions to the principles of the 19th National Congress and making combined efforts to implement the tasks proposed by the Congress. We will fully implement the policies and arrangements launched by the 19th National Congress, the Central Economic Work Conference, and the National Financial Work Conference. We will resolutely fight "three critical wars" in building the well-off society in an all-round way, complete the three tasks of serving the real economy, prevent and control financial risks, and deepen financial reforms. We will continuously promote central bank management to a new stage and new height.

INTERNAL AUDITS

Internal auditing work was steadily carried out

In 2017, the PBC internal auditing units completed more than 4 100 auditing programs. First, performance and end-of-term audits were conducted on the leading cadres, including presidents of selected PBC branches and sub-branches, director-generals of PBC affiliated enterprises and institutions, and chief representatives of PBC overseas offices. These audits laid emphasis on examining the policy-making and the policy execution in terms of budget management, financial revenues and expenditures, assets and liabilities, capital construction and procurement management. Second, budget management audits were conducted. Supervision on the usage of budget funds by the branches and sub-branches was carried out regularly. Emphasis was placed on the budget distribution and execution, implementation of the "Eight-point Frugality Codes", and the compliance and efficiency of all kinds of financial revenues and expenditures. Through monitoring the correction of problems discovered in the audits of last year, the budget management has become more scientific and reasonable. Third, audits on law-based administration were conducted. Branches at all levels chose to conduct audits on enforcement-related activities that were prone to widely-known problems. They mainly focused on the legality and compliance in administrative approval , inspection of compliance, administrative penalty and information disclosure, so as to enhance the capability of administration and performance according to law. Fourth, audits on centralized procurement management were conducted. The PBC paid attention to the key links such as the institutional mechanism of procurement, demand management, purchase-plan implementation, contract management, fund management and procurement outcomes. This helped standardize the procurement process, prevent risks in use of fund and enhance the efficiency of procurement projects. Fifth, audits were carried out on the management of credit information security. Emphasis was put on user management, information inquiry, dispute resolution, institutional data-access management, system production environment management, extraction and use of background data, emergency and disaster management. These measures were to promote standardization and security in enterprise and individual credit information system. Sixth, audits on the continuing power supply of computer system and service network operation were conducted. Attention was paid to the deployment of power supply and service network equipment, daily inspection and monitoring, examination and maintenance, security management, disaster and emergency response management, in order to safeguard the stable and safe operation of financial infrastructure. Seventh, audits were conducted on the management and usage of PBC targeted poverty-alleviation funds. The flow of poverty-alleviation funds was inspected at each level to check compliance with the rules and regulations; fund usage was examined to check efficiency; and the economic and social benefits were evaluated using compiled data.

Basic work of internal audits got constantly improved

With a view to better promoting standardized management and performance according to law, the PBC further strengthened its internal auditing efforts. First, application of auditing results was strengthened. The auditing department conducted face-to-face exchanges with the operation divisions. This expanded the application scope and depth of auditing outcomes, and pushed for the rectification from the source. Through strengthening auditing analysis, notifying problems, and conducting follow-up audits, the PBC urged feasible rectification. It gave out risk warnings on the basis of evaluating risk events and relevant institutional regulations involved in economic activities. Second, institutional construction got strengthened. Auditing plans were circulated, and key points of end-of-term audits on leading cadres were checked and improved, which had further enriched the internal auditing system. Third, risk assessment was continuously promoted by the Internal Auditing Department. The PBC strengthened the organization and guidance of risk assessment, instructed the branches and sub-branches to conduct evaluation by using the risk assessment management system, and laid a solid foundation for comprehensive and dynamic risk evaluation of the whole system. Fourth, continuous efforts were made to strengthen the construction of an auditing information system. Comprehensive management system and computer-aided auditing system of the internal auditing business got upgraded. The business data linked to the computer-aided auditing system was increasingly enriched, and the analysis models were further improved, which provided a platform of technical support and data analysis for the execution of relevant operational audits. Fifth, basic evaluation of internal control was continuously carried out. The review and report on the internal control of the PBC Headquarters and affiliated institutions using budget funds were completed. These effectively strengthened the communication and coordination of internal control, and practically improved the effect of internal control on budget management, financial revenues and expenditures, government procurement, asset management, construction project, and contract management. Sixth, the PBC was deeply involved in the international exchange of internal auditing work. It co-hosted the 31st Annual Meeting of CBIA of BIS, participated in BIS' research subject, and edited and published *Compilation of International Internal Auditing Views*.

FINANCIAL STATISTICS

Promote the comprehensive financial statistical system by two "supports"

The Fifth National Financial Conference pointed out that "we need to promote the comprehensive financial statistical system and regulatory information sharing, and set up a unified national financial database to solve the problems caused by disunity of data standards and difficulties in data collection and uses." Based on the standards of the statistical system, the PBC promoted the implementation of the comprehensive financial statistical system to support the two-pillar regulatory framework of monetary policy and macro prudential policy and to support the supply-side structural reform. Progress was made in the comprehensive financial statistics pilot programs: transforming monetary statistics methods from the traditional single core model of aggregate statistics to the multi-dimensional parallel model of aggregate statistics, product statistics, price statistics and flow statistics; compiling financial sector balance sheet and capital flow statement reflecting financial development and intensification; conducting research on statistical system of systemically important financial institutions; formulating and implementing statistical system of green loans, loan caliber, statements and reports of financial inclusion, in order to provide criteria and basis for decision-making of targeted regulation of monetary policy; implementing the construction of the statistical infrastructure for the bond market; and organizing statistics departments across the nation to conduct a comprehensive statistical law enforcement inspection on 2 834 financial institutions within their jurisdictions.

Enhance in-depth statistics collection, investigation, and analysis

The PBC attached great importance to data quality management and enhanced financial statistics transparency. The PBC further enhanced statistics on macroeconomic control and provided more comprehensive and accurate information to support macro-prudential management. Efforts were made in statistics on bonds, wealth management, trust fund, and interest rate in order to better serve financial reform and prevent financial risks. The PBC strengthened financial statistics on agriculture, farmers, rural areas, small and micro businesses and other weak links and key areas, as well as financial statistics related to the real estate market and other hot issues, and improved the statistics of financial support for specific sectors such as targeted poverty alleviation. The PBC improved the statistical system, strengthened implementation and statistical inspection, and timely and accurately reflected the financial support for the specific sectors. Focusing on the statistics on financial support for targeted poverty alleviation loans, the PBC objectively reflected the effective credit inputs to the poverty-stricken regions and the poor groups, and truthfully reflected the implementation effects of the coordinated mechanism of the extremely impoverished areas, the poverty alleviation loan policy, and innovative financial products and services. In order to provide accurate data and information services for targeted poverty alleviation, the PBC worked on statistics of the loans to the registered poor residents, the targeted poverty alleviation industrial loans, project targeted poverty alleviation loans and so on. The PBC improved the statistics and assessments on required proportion of deposits in the financial institutions in counties so as to guide the financial institutions to increase their loans in the counties to improve rural financial services and to improve the accuracy and scientific nature of the credit policies, thus providing the basis for the scientific and targeted regulation and control.

The PBC gave full play to the advantages of the system, and standardized the investigation mechanism in a scientific manner. Focusing on “cutting overcapacity, destocking, deleveraging, reducing costs and identifying growth areas”, and combining with institutional investigations and field investigations, PBC carried out researches on microeconomic entities and economic cycles to make in-depth assessments on macroeconomic trends based on the changes of enterprises’ inventory cycles and the results of institutional questionnaire. In order to adapt to the rapid changes of the service sector and the new economy, the first trial of the service sector survey system was launched. PBC researched the key issues in the new economy such as the relationship between enterprises’ risky debts and profit changes, the overall trend of the real estate market and the characteristics of differentiated changes so as to support the systemic risk judgement. Industrial survey could provide direct information for output and investment analysis. As for the investigation methods, PBC applied big-data technology in the real estate price monitoring, and improved the investigation efficiency by using Internet-based communication.

The PBC attached great importance to the scientific nature and foresight of the status analysis and research on hot and challenging economic and financial issues. Combining economic with financial analysis, international with domestic analysis, logical with empirical analysis, and macro with micro analysis, the PBC enhanced its economic forecast and improved its judgements on the major economic indices, such as economic growth, price movements, and changes in money supply. The PBC deepened its research on leverage ratios including researches on China’s leverage rate statistical standards, and established data series by sector. The PBC also calculated the leverage ratios of various investment lines in the banks, providing a specific basis for its monetary policy operations. In terms of research methods, the PBC strengthened the application of DSGE model technology in the macroeconomic analysis framework. In the service system reform, based on input-output matrix as the correlation support and international experiences, PBC started accounting on value-added, and made a series of in-depth studies on the service sector, the financial sector and regional GDP, and provided policy recommendations to tackle service sector’s problems and promote the service sector reform.

COLUMN

Establishing Green Loan Statistics System to Serve the Green Development

Insisting on new development strategy is one of the basic strategies for Chinese socialism development in the new era. The green finance has become an important part of the national green development strategy. The PBC conscientiously carried out the spirit of 19th CPC National Congress by taking a leading role in promoting the green financial policy system in accordance with the CPC Central Committee and the State Council's *Opinions on Accelerating the Construction of Ecological Civilization* and the *Overall Plan for the Reform of the Ecological Civilization System*, and jointly issued the *Guidance on the Construction of a Green Financial System* with the MOF and other seven ministries and commissions. In order to effectively assess the green loans of financial institutions and better serve monetary policy and macro-prudential policy, PBC studied and formulated the green loan statistics system and issued the *Notice on the Establishment of a Special Green Loans Statistical System*, which was scheduled to be implemented from March 2018. The specified green loan statistical system adhered to the concept of green development and constructed a complete and rigorous system of green loan statistics, providing a basis for the relevant policy evaluation and decision-making.

Special green loan statistics focused on management guidance. In recent years, the innovative internal mechanism of some financial institutions made useful exploration in the aspects of data quality management and incentive balances, effectively supporting the development of green projects. Specified green loan statistics adapted to the new trend and allowed financial institutions to submit the green loan statistics based on data quality management mechanism or the accurate and reliable data, thus to enhance the initiative and responsibility of the financial institutions to promote green development and provide accurate and reliable data for the policy evaluation and decision-making.

The special statistics of green loan needs to coordinate with policy requirements, macro accounting, and regulatory requirements. First, according to the scope and policy demands specified in the *Guidance on the Construction of a Green Financial System*, the PBC focused on the green project loans and actively supported the prevention of pollution. Second, the PBC introduced national standard industry classification statistics to enhance the comparability and relevance of the green financing statistics and macroeconomic accounting. Third, the PBC absorbed part of the green credit statistical report of the CBRC, adjusting them to be consistent with the requirements of the *Green Credit Guidelines* to guide the financial institutions to strengthen the capacity building of green financing, so as to establish an effective assessment system of green financing and ensure that the data is reliable and can prevent policy arbitrage and regulatory arbitrage.

After the special statistics of green loan system was issued, the PBC branches at all levels work on interpretation and publicity of the system to guide and supervise the financial institutions to implement the system and prepare for the data reporting. With the formal implementation and steady operation of the system, the statistics will play an important role as the information foundation of green finance.

FINANCIAL RESEARCH

Strengthen research on key economic and financial issues

In-depth thematic studies were carried out on fiscal and tax system, financial regulatory regime, local government debt, leverage ratio, the relationship between fiscal and financial affairs, replacement of business tax with value-added tax (VAT) in financial sector, property tax, market-based interest rate adjustment mechanism, corporate governance, administration of state-owned financial capital, and old age insurance. The PBC also followed closely various key and topical issues, such as the real estate market, bond market, RMB internationalization and the development of offshore market, the quantitative easing (QE) and tapering by the Fed, the impact and implications of demonetization in India, the US economic and financial policies and the implications, and the development of Internet finance and risks.

Complete the compiling of 13th Five-Year Plan for financial sector

The PBC played a leading role in completing the *13th Five-year Plan for a Modern Financial System* by working with nine ministries, including the National Development and Reform Commission, the MOF, the CBRC, the CSRC, and the CIRC. A working mechanism headed by the PBC was established to conduct annual reviews of the financial policy implementation and progress of major projects under the 13th Five-year Plan for national economic and social development.

Continue to push forward regional financial reform and innovation

In line with the overall arrangement of the CPC Central Committee and the State Council, the PBC deepened the financial reform and innovation in the first and second batch of free trade zones. It took stock of the implementation of financial opening-up and innovation policies and the possibility of replicating policies, and offered guidance to the third batch of free trade zones regarding properly carrying out financial policies. The PBC assisted other ministries in promoting regional financial reform, such as the rejuvenation of Northeast China, the Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macau Greater Bay Area. To fully comply with the decisions of the 2nd central work conference on the development of Xinjiang and the 6th work conference on the development of Tibet, the PBC announced a number of policy documents, including the *Opinions on Providing Financial Support for the Economic Development and Social Stability in Four Places in Southern Xinjiang*, and the *Opinions on Providing Financial Support for the Economic and Social Development in Tibet*. Research was conducted on supporting the development of industries unique to Xinjiang, and the further reform of Xinjiang production and construction corps as well as its development in southern Xinjiang. Progress was made in supporting southern Jiangxi province through partnership, specifically, the Xin'gan county, which once was the Central Soviet Area.

Deepen the pilot reform of rural finance and inclusive finance and strengthen research on the reform of provincial union of rural credit cooperatives

The PBC intensified efforts to promote the pilot reform of rural finance and inclusive finance in Chengdu of Sichuan province, and Lankao of Henan province, with a number of experiences that could be replicated and applied to other places. Studies were carried on the role of central bank lending in helping agricultural development and reducing poverty, the development of rural credit system, and the role of improved farmer-friendly cash withdrawal outlets in facilitating rural financial reform and development. In addition, other researches include reform of rural credit cooperatives, rural land institution reform and financial support, the regulation and development of micro loan businesses, and the application of FinTech to financial inclusion. The *2016 China Rural Financial Service Report* was published.

Continue to promote green finance amid growing international influence

The PBC led the effort in publishing the *Labor Division Plan for Implementing the Guiding Opinions on Building a Green Financial System*. Approved by the State Council, green finance reform and innovation was launched in five pilot provinces, including Zhejiang, Guangdong, Jiangxi, Guizhou, and Xinjiang, along with a regular reporting mechanism for the progress of the pilot program to ensure timely implementation. The work was finished on building an indicator system that includes green credit in the macro-prudential assessment of commercial banks. The PBC was tasked with developing standards for green finance under the National Committee on Financial Standardization, and led the effort to set up a working group on the standardization of green finance. It participated in the G20 Green Finance Study Group with its policy recommendations written into the G20 Hamburg Action Plan, contributing to China's growing international influence.

Continuously improve the capacity for monitoring and analyzing economic and financial developments

The PBC drafted the biannual macroeconomic forecasting report, and the macroeconomic policy assessment report, while following closely the development of macro economy. The *Price Monitoring and Analysis Report* was published on a quarterly basis, which helped the monetary policy committee make informed decisions. Efforts were also made to monitor the structure of monetary aggregates, market rates, changes in liquidity, the use and effectiveness of various monetary policy tools, and the monetary policy in major economies, which provided inputs and policy recommendations to monetary policy decision-making and implementation.

Achieve remarkable progress in developing high-end think tanks

In June 2017, the Financial Research Institute of the PBC was listed as a key national high-end think tank by the Publicity Department of the CPC Central Committee, which was a major outcome in developing think tanks. Following the idea of fostering think tanks to enhance international exchange and cooperation, the PBC convened a number of important meetings, including the 2017 Annual Academic Meeting of the China Society for Finance and Banking and the Annual Meeting of China Financial Forum, the forum on replacing business tax with VAT in China's financial sector, the 22nd Cross-Straits Symposium on Financial Cooperation, and the first joint seminar by the PBC and the BOE. Thanks to bigger efforts to shed light on research results, think tanks grew both in popularity and social influence.

COLUMN

Building a Modern Financial System

With the spirit of the 19th National Congress of the CPC, the 5th National Financial Work Conference and the 13th Five-year Plan, aimed at the profound reform of international economic layup, and based on China's economic development goal and major changes in economic growth model and momentum, building up a modern financial system has become a major topic for the financial system reform and development during the 13th Five-year Plan period. The 5th National Financial Work Conference put forward the three tasks of serving the real economy, preventing financial risks, and deepening financial reform. It also specified directions and requirements for the construction of a modern financial system during the 13th Five-year Plan period. The 19th National Congress of the CPC proposed that a modern financial system should be set up and efforts should be made to construct an industrial system featuring coordinated development of the real economy, scientific innovation, and modern finance. It also laid out specific tasks for constructing a modern finance system during the 13th Five-year Plan period. Therefore, building a modern financial system should take better serving the real economy as the purpose, see the prevention and dissolution of systemic financial risks as the key goal, and regard deepening financial reform and opening-up as the driving force. It should promote the reform in the key areas and key links, complete the key tasks in the eight system construction of the financial field, and promote balanced, steady, sound and sustainable economic and financial development.

First, the financial regulation system should be improved. It must strengthen the macro-policy coordination, construct a two-pillar regulatory framework of monetary policy and macro-prudential policy, and improve the goal, tools and transmission mechanism of monetary policy, so as to create a fine money and financial environment for China's sustainable economic development.

Second, the financial supervision system should be enhanced. It must comprehensively strengthen the financial macro-prudential management, reinforce the duty of financial regulatory agencies, enhance functional regulation, comprehensive regulation and behavior regulation, and achieve full coverage of macro-prudential management and financial supervision on all types of financial institutions, businesses, activities, and risks.

Third, the financial institutional system should be optimized. It must improve the modern financial enterprise system featuring equal rights and responsibilities, optimal equity structure, compatibility between incentives & constraints as well as risk control, enhance the international competitiveness of financial institutions, and construct a multi-tier, full-coverage and differentiated layout of financial institutions.

Fourth, the financial market system should be improved. It should start from expanding the scope of participants, enriching product types, improving trading mechanism and market distribution mechanism of resources, strengthening the financial market framework, and improving the operation efficiency of the market system.

Fifth, a higher-level open financial system should be established. It must promote the opening-up of the financial industry, improve the exchange rate formation mechanism and reduce capital control, and enhance the international competitiveness and influence of the Chinese economy and finance. A new layout of all-round opening-up will be formed to build a open economy.

Sixth, the financial infrastructure system should be strengthened. It must proceed with establishing a sound financial legal system, information system and market support system, and develop efficient, safe and convenient financial infrastructures.

Seventh, the financial service system supporting the real economy should be perfected. It must serve the key national strategies and areas, make efforts to develop inclusive finance, green finance and science finance, and improve the efficiency of finance in serving the real economy.

Eighth, a mechanism of preventing and dissolving financial risks should be well established. It must properly prevent and dissolve the immediate and mid-term financial risks and improve the long-term risk prevention and dissolution mechanism. Prevention and dissolution of systemic financial risks help safeguard our national financial security.

STATISTICAL ANNEX

Selected Economic Indicators

(Year-end Balances)

RMB100 million

	2013	2014	2015	2016	2017
Gross Domestic Product (GDP)	595 244	643 974	689 052	743 585	827 122
Industrial Value Added	222 338	233 856	236 506	247 878	279 997
Fixed Asset Investments	446 294	512 021	562 000	606 466	641 238
Retail Sales of Consumer Goods	242 843	271 896	300 931	332 316	366 262
Urban Households	202 462	226 368	258 999	285 814	314 290
Rural Households	31 918	36 027	41 932	46 503	51 972
Exports & Imports (USD100 million)	41 590	43 015	39 530	36 856	41 045
Exports	22 090	23 423	22 735	20 976	22 635
Imports	19 500	19 592	16 796	15 879	18 410
Balance	2 590	3 831	5 939	5 097	4 225
Foreign Direct Investments (USD100 million)	1 176	1 196	1 263	1 260	1 310
Foreign Exchange Reserves (USD100 million)	38 213	38 430	33 304	30 105	31 399
Consumer Price Index (previous year=100)	102.6	102.0	101.4	102.0	101.6
Government Revenue	129 143	140 350	152 217	159 552	172 567
Government Expenditures	139 744	151 662	175 768	187 841	203 330
Fiscal Balance	12 000	13 500	16 200	21 800	23 800
Per Capita Urban Household Disposable Income (RMB)	26 467	28 844	31 195	33 616	36 396
Per Capita Rural Household Disposable Income (RMB)	9 430	10 489	11 422	12 363	13 432
Number of Employed Persons in Urban Areas (million)	382.4	393.1	404.1	414.3	424.6
Registered Urban Unemployment Rate (%)	4.05	4.09	4.05	4.02	3.90
Total Population (million)	1 360.7	1 367.8	1 374.6	1 382.7	1 390.1

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.

Selected Economic Indicators

(Growth Rates)

Percentage change

	2013	2014	2015	2016	**2017**
Gross Domestic Product (GDP)	7.8	7.3	6.9	6.7	6.9
Industrial Value Added	7.7	7.0	6.0	6.0	6.4
Fixed Asset Investments	19.3	15.3	9.8	7.9	7.0
Retail Sales of Consumer Goods	13.1	12.0	10.7	10.4	10.2
Urban Households	12.9	11.8	10.5	10.4	10.0
Rural Households	14.6	12.9	11.8	10.9	11.8
Exports & Imports	7.5	3.4	-8.1	-6.8	11.4
Exports	7.8	6.0	-2.9	-7.7	7.9
Imports	7.2	0.5	-14.3	-5.5	16.0
Balance					
Foreign Direct Investments	5.3	1.7	5.6	-0.2	4.0
Foreign Exchange Reserves	15.4	0.6	-13.3	-9.6	4.3
Consumer Price Index	2.6	2.0	1.4	2.0	1.6
Government Revenue	10.1	8.6	8.4	4.5	7.4
Government Expenditures	10.9	8.2	15.8	6.4	7.7
Per Capita Urban Household Disposable Income (after adjusting for inflation)	7.0	6.8	6.6	5.6	6.5
Per Capita Rural Household Disposable Income (after adjusting for inflation)	9.3	9.2	7.5	6.2	7.3
Number of Employed Persons in Urban Areas	3.1	2.8	2.8	2.5	2.5
Natural Population Growth (‰)	4.9	5.2	5.0	5.9	5.3

Note: Same as the notes for the previous table.

Aggregate Financing to the Real Economy

Aggregate Financing to the Real Economy (Increment)

	2016		2017	
	Increment (RMB100 million)	Proportion (%)	Increment (RMB100 million)	Proportion (%)
Aggregate Financing to the Real Economy	178 159	100.0	194 445	100.0
Of which: RMB Loans	124 372	69.8	138 432	71.2
Foreign Currency-denominated Loans (RMB equivalent)	-5 640	-3.2	18	0.0
Designated Loans	21 854	12.3	7 770	4.0
Trust Loans	8 593	4.8	22 555	11.6
Undiscounted Bankers' Acceptances	-19 514	-11.0	5 364	2.8
Net Financing of Corporate Bonds	30 025	16.9	4 421	2.3
Domestic Equity Financing by Non-Financial Corporations	12 416	7.0	8 759	4.5

Notes: 1. Aggregate Financing to the Real Economy is an aggregate indicator measuring total funding from the financial system to the real economy (non-financial enterprises and households). The increment indicator refers to total funding during a certain period (a day, a quarter, or a year), while the stock indicator refers to outstanding amount of funding at the end of a certain period (month, quarter, or year).

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

Aggregate Financing to the Real Economy (Stock), 2017

	Stock (RMB1 trillion)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	174.71	12.0	100
Of which: RMB Loans	119.03	13.2	68.1
Foreign Currency-denominated Loans (RMB equivalent)	2.48	-5.8	1.4
Designated Loans	13.97	5.9	8.0
Trust Loans	8.53	35.9	4.9
Undiscounted Bankers' Acceptances	4.44	13.7	2.5
Net Financing of Corporate Bonds	18.44	2.9	10.6
Domestic Equity Financing by Non-financial Corporations	6.65	15.2	3.8

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

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

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

Aggregate Financing to the Real Economy (Increment), 2017, by Area

RMB100 million

Areas	Aggregate Financing to the Real Economy, by Area	Of which						
		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	8 255	7 206	-232	1 082	1 571	130	-2 748	959
Tianjin	2 790	2 754	109	-224	-132	378	-231	51
Hebei	8 346	5 532	40	98	1 881	61	297	170
Shanxi	3 203	2 246	-14	194	158	-8	460	50
Inner Mongolia	2 104	2 096	4	72	-218	15	-111	84
Liaoning	3 936	2 779	-130	-176	37	1 331	-314	223
Jilin	1 568	818	-14	148	34	87	137	150
Heilongjiang	2 394	1 449	-64	109	357	312	56	53
Shanghai	11 748	7 606	-52	221	1 869	298	351	1 144
Jiangsu	15 244	11 000	142	375	620	-99	1 946	762
Zhejiang	13 331	8 718	-218	746	1 282	257	911	1 166
Anhui	7 038	4 287	76	331	1 197	276	379	262
Fujian	5 263	4 069	-48	-62	563	282	17	251
Jiangxi	5 347	3 981	62	419	838	-222	78	55
Shandong	8 498	5 874	48	673	501	39	307	582
Henan	6 802	5 237	143	177	526	74	82	251
Hubei	7 281	5 024	17	521	902	-112	460	258
Hunan	6 430	4 308	-1	187	288	332	731	353
Guangdong	22 091	15 244	-67	242	2 794	1 292	413	1 305
Guangxi	3 421	2 594	-6	266	0	434	34	8
Hainan	856	797	-4	-152	0	126	14	20
Chongqing	3 719	3 080	-163	-83	174	-64	-11	57
Sichuan	7 391	5 318	234	778	446	-520	383	207
Guizhou	4 046	3 002	8	530	230	63	193	20
Yunnan	3 151	2 356	11	237	326	-127	95	127
Tibet	1 019	996	-1	30	-96	28	30	16
Shaanxi	5 926	2 758	-36	244	2 198	220	83	320
Gansu	2 894	1 754	30	74	1 144	-214	-54	32
Qinghai	1 208	642	1	36	577	29	-109	0
Ningxia	865	665	-2	49	0	119	-8	15
Xinjiang	3 039	2 315	-17	216	65	69	103	171

Note: In 2017, funding provided by the headquarters of financial institutions totaled RMB1 539.7 billion.

Selected Financial Indicators

(Year-end Balances)

RMB100 million

	2013	2014	2015	2016	2017
Money & Quasi-money (M_2)	1 106 525.0	1 228 374.8	1 392 278.1	1 550 066.7	1 690 235.3
Money (M_1)	337 291.1	348 056.4	400 953.4	486 557.2	543 790.2
Currency in Circulation (M_0)	58 574.4	60 259.5	63 216.6	68 303.9	70 645.6
Total Deposits with Financial Institutions	1 043 846.9	1 138 644.6	1 357 021.6	1 505 863.8	1 641 044.2
Savings Deposits	447 601.6	485 261.3	526 280.8	569 149.3	595 972.6
Non-financial Enterprise Deposits	361 555.2	378 333.8	430 247.4	502 178.4	542 404.6
Total Lending by Financial Institutions	718 961.5	816 770.0	939 540.2	1 066 040.1	1 201 321.0

Selected Financial Indicators

(Growth Rates)

Percentage change

	2013	2014	2015	2016	2017
Money & Quasi-money (M_2)	13.6	12.2	13.3	11.3	8.1
Money (M_1)	9.3	3.2	15.2	21.4	11.8
Currency in Circulation (M_0)	7.2	2.9	4.9	8.1	3.4
Total Deposits with Financial Institutions	13.8	9.1	12.4	11.0	9.0
Savings Deposits	11.9	8.4	8.5	8.2	4.7
Non-financial Enterprise Deposits	10.1	4.6	13.7	16.7	8.0
Total Lending by Financial Institutions	14.1	13.6	14.3	13.5	12.7

Monetary Statistics

Depository Corporations Survey, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Net Foreign Assets	260 793.33	255 507.67	254 784.92	253 287.49
Domestic Credit	1 650 628.96	1 701 411.11	1 740 946.75	1 780 278.09
Claims on Government (net)	166 268.66	176 481.27	190 194.05	204 892.15
Claims on Non-financial Sectors	1 200 190.41	1 234 070.46	1 265 934.66	1 288 782.51
Claims on Other Financial Sectors	284 169.89	290 859.38	284 818.05	286 603.42
Money & Quasi-money	1 607 938.98	1 639 497.05	1 663 666.05	1 690 235.31
Money	488 770.09	510 228.17	517 863.04	543 790.15
Currency in Circulation	68 605.05	66 977.68	69 748.54	70 645.60
Corporate Demand Deposits	420 165.04	443 250.48	448 114.50	473 144.55
Quasi-money	1 119 168.89	1 129 268.88	1 145 803.02	1 146 445.17
Corporate Time Deposits	317 183.42	317 003.07	326 614.31	320 196.23
Personal Deposits	643 278.44	642 931.90	648 349.70	649 341.50
Other Deposits	158 707.03	169 333.91	170 839.00	176 907.44
Deposits Excluded from Broad Money	48 587.66	49 138.78	46 694.24	47 043.42
Bonds	213 157.16	218 171.63	223 471.80	225 877.02
Paid-in Capital	47 799.04	48 377.47	49 562.78	52 048.22
Others (net)	-6 060.56	1 733.85	12 336.80	18 361.59

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

Balance Sheet of the Monetary Authority, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	224 290.37	223 007.56	222 589.36	221 164.12
Foreign Exchange	216 209.50	215 153.03	215 106.85	214 788.33
Monetary Gold	2 541.50	2 541.50	2 541.50	2 541.50
Other Foreign Assets	5 539.37	5 313.03	4 941.02	3 834.29
Claims on Government	15 274.09	15 274.09	15 274.09	15 274.09
Of which: Central Government	15 274.09	15 274.09	15 274.09	15 274.09
Claims on Other Depository Corporations	80 711.21	85 906.57	89 148.68	102 230.35
Claims on Other Financial Corporations	6 316.41	6 318.41	6 318.41	5 986.62
Claims on Non-financial Sectors	117.31	97.13	95.26	101.95
Other Assets	10 644.29	14 421.85	16 570.75	18 174.48
Total Assets	337 353.68	345 025.62	349 996.56	362 931.62
Reserve Money	302 387.33	303 771.57	306 044.19	321 870.76
Currency Issues	75 246.61	73 268.68	76 626.49	77 073.58
Deposits of Financial Corporations	227 140.72	229 662.13	228 516.42	243 802.28
Deposits of Other Depository Corporations	227 140.72	229 662.13	228 516.42	243 802.28
Deposits of Other Financial Corporations				
Deposits of Non-financial Institutions		840.77	901.29	994.90
Deposits of Financial Corporations Excluded from Reserve Money	7 744.24	7 596.84	6 047.23	5 019.23
Bond Issues	500.00			
Foreign Liabilities	1 099.03	1 599.31	1 025.47	880.00
Government Deposits	24 025.62	28 112.90	31 095.04	28 626.03
Equity	219.75	219.75	219.75	219.75
Other Liabilities	1 377.72	3 725.25	5 564.88	6 315.84
Total Liabilities	337 353.68	345 025.62	349 996.56	362 931.62

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, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	52 878.54	52 266.20	53 361.16	53 482.42
Reserve Assets	239 252.18	243 284.63	242 297.40	256 108.11
Deposits with the Central Bank	232 610.62	236 993.63	235 419.45	249 680.13
Cash in Vault	6 641.56	6 290.99	6 877.95	6 427.98
Claims on Government	175 020.18	189 320.08	206 014.99	218 244.08
Of which: Central Government	175 020.18	189 320.08	206 014.99	218 244.08
Claims on the Central Bank	522.15	2.59	2.59	0.00
Claims on Other Depository Corporations	311 844.58	296 901.52	292 933.11	296 042.86
Claims on Other Financial Corporations	277 853.48	284 540.96	278 499.63	280 616.80
Claims on Non-financial Corporations	852 221.87	866 964.10	879 634.60	889 011.43
Claims on Other Resident Sectors	347 851.23	367 009.24	386 204.79	399 669.14
Other Assets	103 578.27	103 915.04	102 809.16	104 048.92
Total Assets	2 361 022.48	2 404 204.36	2 441 757.45	2 497 223.76
Liabilities to Non-financial Institutions & Households	1 469 485.35	1 491 234.21	1 511 037.38	1 531 978.63
Deposits Included in Broad Money	1 380 626.90	1 403 185.46	1 423 078.51	1 442 682.27
Corporate Demand Deposits	420 165.04	443 250.48	448 114.50	473 144.55
Corporate Time Deposits	317 183.42	317 003.07	326 614.31	320 196.23
Personal Deposits	643 278.44	642 931.90	648 349.70	649 341.50
Deposits Excluded from Broad Money	48 587.66	49 138.78	46 694.24	47 043.42
Transferable Deposits	13 976.95	14 682.81	13 811.31	15 266.53
Other Deposits	34 610.71	34 455.97	32 882.94	31 776.89
Other Liabilities	40 270.79	38 909.97	41 264.62	42 252.94
Liabilities to the Central Bank	83 858.15	90 883.78	93 244.86	105 470.08
Liabilities to Other Depository Corporations	133 599.68	122 164.57	119 269.64	126 116.07
Liabilities to Other Financial Corporations	154 081.50	163 226.83	166 741.52	168 350.54
Of which: Deposits Included in Broad Money	150 377.62	160 278.63	161 933.73	162 445.76
Foreign Liabilities	15 276.55	18 166.79	20 140.14	20 479.05
Bond Issues	213 157.16	218 171.63	223 471.80	225 877.02
Paid-in Capital	47 579.29	48 157.72	49 343.02	51 828.47
Other Liabilities	243 984.80	252 198.83	258 509.08	267 123.89
Total Liabilities	2 361 022.48	2 404 204.36	2 441 757.45	2 497 223.76

Balance Sheet of Large-sized Domestic Banks, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	30 283.88	29 269.70	29 760.88	29 052.14
Reserve Assets	127 991.89	128 579.71	128 480.68	130 448.93
Deposits with the Central Bank	124 346.16	125 140.25	124 607.46	126 966.72
Cash in Vault	3 645.73	3 439.46	3 873.22	3 482.21
Claims on Government	112 832.04	122 518.98	132 966.81	140 119.19
Of which: Central Government	112 832.04	122 518.98	132 966.81	140 119.19
Claims on the Central Bank	500.30	0.00		
Claims on Other Depository Corporations	115 450.14	111 009.13	106 320.47	105 574.79
Claims on Other Financial Corporations	61 777.21	68 993.74	65 083.11	64 261.75
Claims on Non-financial Corporations	443 512.62	447 918.61	452 120.97	453 331.63
Claims on Other Resident Sectors	183 579.51	192 271.19	201 111.63	207 599.60
Other Assets	54 725.34	53 319.78	51 924.79	51 792.44
Total Assets	1 130 652.94	1 153 880.84	1 167 769.33	1 182 180.48
Liabilities to Non-financial Institutions & Households	775 081.70	778 930.95	790 054.02	784 171.21
Deposits Included in Broad Money	713 050.04	719 280.86	731 060.00	726 113.87
Corporate Demand Deposits	206 922.76	216 727.30	220 266.99	224 714.04
Corporate Time Deposits	123 358.90	123 863.39	127 754.77	121 509.59
Personal Deposits	382 768.38	378 690.17	383 038.24	379 890.24
Deposits Excluded from Broad Money	26 304.67	25 596.89	24 160.26	23 797.72
Transferable Deposits	6 704.57	6 752.36	6 596.19	7 024.98
Other Deposits	19 600.10	18 844.53	17 564.07	16 772.73
Other Liabilities	35 726.98	34 053.20	34 833.76	34 259.62
Liabilities to the Central Bank	47 085.63	50 588.33	51 259.15	56 824.33
Liabilities to Other Depository Corporations	24 265.18	20 786.46	19 165.64	24 751.76
Liabilities to Other Financial Corporations	47 593.57	61 291.33	60 552.39	60 931.85
Of which: Deposits Included in Broad Money	46 554.02	60 281.72	59 615.51	59 850.94
Foreign Liabilities	6 606.62	7 787.02	8 034.13	8 531.05
Bond Issues	87 825.69	88 502.47	91 349.35	94 777.08
Paid-in Capital	20 834.30	20 785.93	21 246.96	21 813.48
Other Liabilities	121 360.24	125 208.36	126 107.69	130 379.71
Total Liabilities	1 130 652.94	1 153 880.84	1 167 769.33	1 182 180.48

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 end-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, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	18 930.56	19 106.92	19 677.68	20 462.16
Reserve Assets	42 834.32	43 040.87	41 644.30	43 564.59
Deposits with Central Bank	42 274.29	42 501.46	41 103.80	42 955.32
Cash in Vault	560.03	539.41	540.49	609.27
Claims on Government	36 821.19	39 498.78	43 160.64	45 819.27
Of which: Central Government	36 821.19	39 498.78	43 160.64	45 819.27
Claims on Central Bank	0.00	0.00	0.00	0.00
Claims on Other Depository Corporations	56 399.91	50 032.29	49 178.95	45 885.57
Claims on Other Financial Corporations	103 390.51	100 934.19	93 653.32	96 630.01
Claims on Non-financial Corporations	199 441.78	203 263.91	206 845.00	210 328.62
Claims on Other Resident Sectors	79 574.81	85 072.26	90 316.18	94 118.71
Other Assets	17 201.40	17 186.51	17 669.98	18 619.83
Total Assets	554 594.47	558 135.74	562 146.04	575 428.76
Liabilities to Non-financial Institutions & Households	255 610.90	262 822.80	259 104.84	264 586.80
Deposits Included in Broad Money	239 139.42	245 374.75	242 065.31	246 847.61
Corporate Demand Deposits	98 378.00	102 937.91	100 493.31	106 643.79
Corporate Time Deposits	93 761.61	93 879.45	95 071.79	92 988.26
Personal Deposits	46 999.82	48 557.40	46 500.22	47 215.57
Deposits Excluded from Broad Money	14 573.05	15 416.54	14 254.87	14 376.77
Transferable Deposits	4 193.11	4 738.41	4 125.72	4 633.54
Other Deposits	10 379.94	10 678.13	10 129.15	9 743.23
Other Liabilities	1 898.43	2 031.51	2 784.65	3 362.42
Liabilities to Central Bank	28 606.45	31 812.81	33 195.08	37 760.31
Liabilities to Other Depository Corporations	44 305.62	37 125.52	38 080.91	39 070.17
Liabilities to Other Financial Corporations	70 001.46	65 806.53	66 074.10	67 781.35
Of which: Deposits Included in Broad Money	68 569.32	64 902.89	63 638.27	65 258.97
Foreign Liabilities	4 620.40	5 376.14	6 352.58	6 131.67
Bond Issue	91 596.91	94 309.41	95 916.04	94 732.61
Paid-in Capital	5 301.87	5 335.71	5 395.86	6 221.78
Other Liabilities	54 550.84	55 546.80	58 026.62	59 144.07
Total Liabilities	554 594.47	558 135.74	562 146.04	575 428.76

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 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, Ping'an Bank Co., Ltd, Bank of Beijing, Bank of Shanghai, and Bank of Jiangsu.

Balance Sheet of Small-sized Domestic Banks, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	1 388.34	1 444.20	1 499.17	1 461.00
Reserve Assets	53 678.72	56 004.30	56 694.73	63 567.28
Deposits with the Central Bank	51 899.69	54 291.96	54 832.46	61 737.64
Cash in Vault	1 779.03	1 712.34	1 862.27	1 829.64
Claims on Government	22 198.71	23 898.63	26 301.99	28 472.72
Of which: Central Government	22 198.71	23 898.63	26 301.99	28 472.72
Claims on the Central Bank	21.85	2.59	2.59	
Claims on Other Depository Corporations	94 278.84	91 140.68	91 811.32	94 275.07
Claims on Other Financial Corporations	104 157.04	105 641.34	110 022.41	110 144.08
Claims on Non-financial Corporations	160 373.09	165 294.01	169 153.53	173 385.87
Claims on Other Resident Sectors	65 039.24	69 713.61	75 081.11	78 880.33
Other Assets	18 237.50	18 840.87	18 120.35	18 173.09
Total Assets	519 373.34	531 980.24	548 687.19	568 359.44
Liabilities to Non-financial Institutions & Households	332 478.03	342 386.16	352 193.06	366 366.13
Deposits Included in Broad Money	327 204.74	336 578.83	345 794.03	358 988.38
Corporate Demand Deposits	86 201.37	92 950.12	95 937.77	103 421.76
Corporate Time Deposits	73 835.20	73 370.05	75 228.31	76 011.46
Personal Deposits	167 168.17	170 258.65	174 627.95	179 555.16
Deposits Excluded from Broad Money	3 358.64	3 776.02	3 935.75	4 076.03
Transferable Deposits	599.15	677.72	691.96	854.10
Other Deposits	2 759.49	3 098.30	3 243.80	3 221.93
Other Liabilities	1 914.65	2 031.31	2 463.28	3 301.72
Liabilities to the Central Bank	6 940.56	7 032.37	7 505.33	9 509.74
Liabilities to Other Depository Corporations	52 542.00	51 463.14	50 029.70	50 951.69
Liabilities to Other Financial Corporations	35 066.15	34 682.59	38 620.48	37 993.67
Of which: Deposits Included in Broad Money	34 088.62	34 084.34	37 608.61	36 296.87
Foreign Liabilities	800.39	919.94	968.86	923.77
Bond Issues	33 287.56	34 932.00	35 767.66	36 013.93
Paid-in Capital	13 185.27	13 609.71	14 153.15	14 972.33
Other Liabilities	45 073.40	46 954.32	49 448.94	51 628.18
Total Liabilities	519 373.34	531 980.24	548 687.19	568 359.44

Note: Small-sized Domestic Banks refer to banks with total RMB and foreign currency assets of less than RMB300 billion (as of 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, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	2 008.00	2 186.65	2 192.21	2 221.64
Reserve Assets	3 478.06	3 469.10	3 296.89	3 765.50
Deposits with the Central Bank	3 469.66	3 461.09	3 289.12	3 758.13
Cash in Vault	8.40	8.02	7.77	7.38
Claims on Government	1 780.00	1 952.23	2 026.84	2 229.90
Of which: Central Government	1 780.00	1 952.23	2 026.84	2 229.90
Claims on the Central Bank				
Claims on Other Depository Corporations	5 377.42	5 610.69	6 110.19	6 505.27
Claims on Other Financial Corporations	2 986.75	3 149.17	3 414.95	3 693.62
Claims on Non-financial Corporations	10 206.01	10 521.97	11 023.27	11 020.47
Claims on Other Resident Sectors	1 124.51	1 166.89	1 206.89	1 233.98
Other Assets	8 875.10	10 103.78	10 958.30	11 812.50
Total Assets	35 835.84	38 160.48	40 229.53	42 482.89
Liabilities to Non-financial Institutions & Households	16 241.41	16 384.34	17 066.06	18 356.56
Deposits Included in Broad Money	12 213.23	12 318.95	12 638.85	13 801.75
Corporate Demand Deposits	3 637.31	3 873.27	3 659.50	4 886.38
Corporate Time Deposits	7 304.04	7 184.76	7 730.45	7 645.04
Personal Deposits	1 271.88	1 260.92	1 248.90	1 270.33
Deposits Excluded from Broad Money	3 383.75	3 361.01	3 351.13	3 372.53
Transferable Deposits	1 795.75	1 799.82	1 716.50	1 760.69
Other Deposits	1 588.01	1 561.19	1 634.63	1 611.84
Other Liabilities	644.43	704.39	1 076.07	1 182.29
Liabilities to the Central Bank	216.70	333.82	259.29	284.37
Liabilities to Other Depository Corporations	2 767.73	2 931.64	2 704.63	2 611.68
Liabilities to Other Financial Corporations	1 020.04	895.88	911.98	941.34
Of which: Deposits Included in Broad Money	878.63	717.55	763.20	772.42
Foreign Liabilities	3 238.54	4 077.89	4 778.83	4 883.55
Bond Issues	199.40	199.53	221.62	226.23
Paid-in Capital	1 761.68	1 763.13	1 766.28	1 835.16
Other Liabilities	10 390.34	11 574.24	12 520.83	13 343.98
Total Liabilities	35 835.84	38 160.48	40 229.53	42 482.89

Balance Sheet of Rural Credit Cooperatives, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	3.74	3.97	3.73	3.87
Reserve Assets	8 757.24	9 655.93	9 458.74	11 275.38
Deposits with the Central Bank	8 108.90	9 064.19	8 864.55	10 775.91
Cash in Vault	648.34	591.75	594.19	499.47
Claims on Government	1 320.63	1 395.92	1 502.39	1 545.43
Of which: Central Government	1 320.63	1 395.92	1 502.39	1 545.43
Claims on the Central Bank				
Claims on Other Depository Corporations	24 980.92	23 708.23	22 617.96	20 411.71
Claims on Other Financial Corporations	2 734.31	2 689.82	2 479.68	2 138.94
Claims on Non-financial Corporations	18 794.51	18 668.25	18 427.66	17 749.36
Claims on Other Resident Sectors	17 492.93	17 729.73	17 369.30	16 597.10
Other Assets	4 223.93	4 156.30	3 820.22	3 295.44
Total Assets	78 308.22	78 008.16	75 679.69	73 017.23
Liabilities to Non-financial Institutions & Households	56 991.07	56 526.34	55 228.28	52 982.74
Deposits Included in Broad Money	56 908.04	56 453.26	55 150.39	52 844.93
Corporate Demand Deposits	9 716.14	10 190.22	10 152.96	9 569.97
Corporate Time Deposits	2 124.76	2 101.98	2 067.43	1 869.65
Personal Deposits	45 067.14	44 161.05	42 930.00	41 405.32
Deposits Excluded from Broad Money	5.96	4.16	4.36	4.77
Transferable Deposits	2.04	1.14	1.12	1.15
Other Deposits	3.92	3.02	3.24	3.62
Other Liabilities	77.06	68.92	73.53	133.04
Liabilities to the Central Bank	850.56	934.65	850.41	886.50
Liabilities to Other Depository Corporations	9 084.96	8 964.71	8 719.91	8 075.73
Liabilities to Other Financial Corporations	222.14	179.99	263.19	448.95
Of which: Deposits Included in Broad Money	147.72	132.06	134.09	115.69
Foreign Liabilities	0.13		0.02	0.01
Bond Issues	21.74	31.09	25.22	31.92
Paid-in Capital	1 965.97	1 947.45	1 874.00	1 856.32
Other Liabilities	9 171.64	9 423.93	8 718.65	8 735.07
Total Liabilities	78 308.22	78 008.16	75 679.69	73 017.23

Balance Sheet of Finance Companies, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	264.03	254.75	227.49	281.61
Reserve Assets	2 511.94	2 534.71	2 722.07	3 486.43
Deposits with the Central Bank	2 511.92	2 534.69	2 722.06	3 486.41
Cash in Vault	0.02	0.02	0.01	0.02
Claims on Government	67.62	55.54	56.33	57.57
Of which: Central Government	67.62	55.54	56.33	57.57
Claims on the Central Bank				
Claims on Other Depository Corporations	15 357.35	15 400.50	16 894.23	23 390.44
Claims on Other Financial Corporations	2 807.65	3 132.70	3 846.18	3 748.40
Claims on Non-financial Corporations	19 893.86	21 297.34	22 064.17	23 195.47
Claims on Other Resident Sectors	1 040.23	1 055.55	1 119.68	1 239.42
Other Assets	314.99	307.80	315.52	355.62
Total Assets	42 257.67	44 038.90	47 245.66	55 754.96
Liabilities to Non-financial Institutions & Households	33 082.24	34 183.61	37 391.12	45 515.19
Deposits Included in Broad Money	32 111.43	33 178.81	36 369.93	44 085.73
Corporate Demand Deposits	15 309.45	16 571.67	17 603.97	23 908.61
Corporate Time Deposits	16 798.91	16 603.44	18 761.58	20 172.24
Personal Deposits	3.06	3.70	4.39	4.88
Deposits Excluded from Broad Money	961.58	984.17	987.86	1 415.61
Transferable Deposits	682.31	713.37	679.82	992.07
Other Deposits	279.27	270.81	308.04	423.54
Other Liabilities	9.23	20.63	33.33	13.85
Liabilities to the Central Bank	158.25	181.80	175.59	204.82
Liabilities to Other Depository Corporations	634.20	893.09	568.84	655.04
Liabilities to Other Financial Corporations	178.13	370.51	319.39	253.38
Of which: Deposits Included in Broad Money	139.32	160.07	174.05	150.87
Foreign Liabilities	10.46	5.79	5.71	9.00
Bond Issues	225.86	197.13	191.91	95.27
Paid-in Capital	4 530.20	4 715.79	4 906.75	5 129.40
Other Liabilities	3 438.34	3 491.17	3 686.35	3 892.87
Total Liabilities	42 257.67	44 038.90	47 245.66	55 754.96

Monetary Aggregates, 2017 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	1 607 938.98	1 639 497.05	1 663 666.05	1 690 235.31
Money (M_1)	488 770.09	510 228.17	517 863.04	543 790.15
Currency in Circulation (M_0)	68 605.05	66 977.68	69 748.54	70 645.60
Corporate Demand Deposits	420 165.04	443 250.48	448 114.50	473 144.55
Quasi-money	1 119 168.89	1 129 268.88	1 145 803.02	1 146 445.17
Corporate Time Deposits	317 183.42	317 003.07	326 614.31	320 196.23
Personal Deposits	643 278.44	642 931.90	648 349.70	649 341.50
Other Deposits	158 707.03	169 333.91	170 839.00	176 907.44

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, 2017 (Year-on-Year Percentage Change)

Percent per annum

	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	10.1	9.1	9.0	8.1
Money (M_1)	18.8	15.0	14.0	11.8
Currency in Circulation (M_0)	6.1	6.6	7.2	3.4
Corporate Demand Deposits	21.1	16.4	15.1	13.1
Quasi-money	6.7	6.6	6.9	6.4
Corporate Time Deposits	5.5	5.1	3.7	4.0
Personal Deposits	9.6	9.4	8.3	7.6
Other Deposits	-1.5	-0.3	7.9	6.5

Note: Same as in the above note.

Statistics on the Volume of RMB Issuances

RMB100 million

Notes & Coins	Year-end Balance, 2016	Year-end Balance, 2017
100 Yuan Note	65 390.72	67 465.76
50 Yuan Note	3 277.79	3 150.57
20 Yuan Note	1 303.11	1 369.39
10 Yuan Note	2 063.72	2 102.94
5 Yuan Note	931.01	949.12
2 Yuan Note	38.94	38.92
1 Yuan Note	656.95	707.46
5 Jiao Note	154.32	154.67
2 Jiao Note	20.89	20.86
1 Jiao Note	71.34	71.26
5 Fen Note	1.56	1.56
2 Fen Note	1.76	1.76
1 Fen Note	2.92	2.92
1 Yuan Coin	550.07	592.74
5 Jiao Coin	203.53	219.81
1 Jiao Coin	122.32	130.32
5 Fen Coin	6.95	6.96
2 Fen Coin	5.82	5.82
1 Fen Coin	3.53	3.54
Total	74 807.24	76 996.39

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

Business Statistics on Non-cash Payment Operations

		2016		2017	
		Transaction Number (10 000)	Transaction Value (RMB100 million)	Transaction Number (10 000)	Transaction Value (RMB100 million)
Commercial Papers	Bills of Exchange	153.01	9 504.63	52.73	3 644.82
	of which: Bankers' Drafts	21.15	63.50	0.03	2.50
	Transfer Bank Drafts	131.86	9 441.13	52.70	3 642.32
	Commercial Drafts	1 656.45	189 498.91	1 648.39	167 736.82
	of which: Commercial Acceptance Bills	46.09	12 838.08	67.95	15 716.34
	Bankers' Acceptance Bills	1 610.35	176 660.83	1 580.43	152 020.48
	Promissory Notes	234.52	20 926.58	164.70	14 246.84
	of which: Cash Promissory Notes	0.37	11.39	0.07	0.87
	Transfer Promissory Notes	234.15	20 915.19	164.64	14 245.97
	Cheques	27 297.07	1 658 006.59	23 722.87	1 538 076.40
	of which: Cash Cheques	9 259.00	59 502.21	7 809.32	52 845.32
	Transfer Cheques	18 038.07	1 598 504.38	15 913.55	1 485 231.08
	of which: Organization Cheques	27 158.29	1 656 067.31	23 617.19	1 536 721.86
	Personal Cheques	138.78	1 939.28	105.68	1 354.54
	Total	29 341.05	1 877 936.70	25 588.69	1 723 704.86
Bankcards	Cash Deposits	1 047 371.28	771 741.38	964 128.82	679 206.71
	Cash Withdrawals	1 799 774.62	654 956.17	1 731 658.91	650 728.21
	of which: ATM	1 569 276.89	257 236.70	1 545 347.90	284 597.09
	Consumption	3 832 907.40	564 981.96	5 862 684.09	686 662.16
	Transfers	4 867 307.53	5 426 443.09	6 384 624.00	5 599 881.13
	Total	11 547 360.83	7 418 122.60	14 943 095.82	7 616 478.21
Settlements	Credit Transfer	790 026.13	26 751 787.46	966 672.83	27 806 669.27
	Direct Debit	144 277.58	795 341.45	152 389.41	430 926.23
	Consignment Collection Payments	51.46	7 458.46	23.31	5 863.27
	Domestic Letters of Credit	10.02	21 707.75	6.73	15 773.04
	Total	934 365.19	27 576 295.12	1 119 092.27	28 259 231.81

Statistics on Transactions via Payment Systems

10 000 (number), RMB100 million

		2016	2017
High Value Real-time Payment System	Volume (number)	82 566.97	93 208.70
	Value	36 162 984.12	37 318 633.92
Bulk Electronic Payment System	Volume (number)	234 830.13	252 753.84
	Value	309 131.24	331 445.29
Online Payment Inter-Bank Clearing System	Volume (number)	445 314.80	846 427.92
	Value	374 610.10	617 200.49
Inter-city Clearing System	Volume (number)	37 246.57	35 902.76
	Value	1 308 049.55	1 308 500.57
Domestic Foreign Exchange Payment System	Volume (number)	198.58	201.66
	Value	54 732.23	67 456.07
Check Image System	Volume (number)	791.67	443.50
	Value	4 100.83	2 456.87
Intra-bank Payment System of Banking Financial Institutions	Volume (number)	2 583 027.85	3 231 336.24
	Value	12 154 693.66	13 336 885.70
UnionPay Inter-bank Bankcard Clearing System	Volume (number)	2 376 180.09	2 934 772.13
	Value	670 694.00	938 491.66
City Commercial Bank Draft Processing System and Payment Clearing System	Volume (number)	387.46	3 311.47
	Value	8 253.17	9 162.58
Rural Credit Bank Payment Clearing System	Volume (number)	168 098.04	334 903.76
	Value	54 272.00	66 748.83
RMB Cross-border Interbank Payment System	Volume (number)	63.61	125.90
	Value	43 617.74	145 539.58
Total	Volume (number)	5 928 705.77	7 733 387.88
	Value	51 145 138.64	54 142 521.56

Note: 1. Banking financial institutions process activities on National Check Image Exchange System through the Bulk Electronic Payment System, starting from September 4, 2017. Thus, statistics on the National Check Image Exchange System only covers transactions between January 1, 2017 and September 3, 2017.

2. Starting from 2017, the Bankers' Acceptance Processing System and Payment and Clearing System of City Commercial Banks not only covers statistics on Bankers' Acceptances, remittances, and automatic deposits and withdrawals, but also real-time payments and receipts on behalf of clients.

Statistics on the Number of Bank RMB Settlement Accounts

10 000 (number)

	2013	2014	2015	2016	**2017**
Entity Settlement Accounts	3 558.06	3 976.91	4 439.03	4 939.47	5 483.43
Basic Deposit Settlement Accounts	2 162.35	2 468.02	2 835.43	3 282.67	3 792.31
General Deposit Settlement Accounts	1 099.47	1 196.90	1 272.76	1 306.72	1 331.11
Special Deposit Settlement Accounts	274.28	291.02	310.13	330.01	340.96
Temporary Deposit Settlement Accounts	21.96	20.96	20.71	20.07	19.05
Individual Settlement Accounts	560 720.36	647 271.18	732 526.66	830 315.62	916 851.64
Total	564 278.42	651 248.09	736 965.69	835 255.09	922 335.06

Statistics on the Number of Bankcards

100 million (number)

	2013	2014	2015	2016	**2017**
Debit Cards	38.23	44.81	50.10	56.60	61.05
Credit Cards	3.44	4.00	3.93	4.20	5.33
Combo Cards	0.47	0.55	0.39	0.45	0.54
Total	42.14	49.36	54.42	61.25	66.93

Note: Beginning in 2015, the PBC adjusted the statistical coverage of bankcards with debit and credit functions.

Interest Rates

RMB Interest Rates, 2017

Percent per annum

	Jan. 1	Dec. 31
Benchmark Rates[1]		
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 Institutions		
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		2.91
Bond-pledged Repo		3.11

Notes: 1. The PBC did not adjust the benchmark rates and the official interest rates on deposits & loans of financial institutions in 2017.

2. Respective average rates for January 3 and December 31, 2017.

3. Monthly average rates for December 2017.

Interest Rates on Small-value USD Deposits

Percent 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

Note: No adjustments since December 28, 2005.

Shibor Monthly Average Rates, 2017

Percent per annum

	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	2.20	2.52	2.88	3.64	3.65	3.62	3.57	3.59
February	2.35	2.66	3.11	4.02	4.18	4.08	3.95	3.96
March	2.49	2.73	3.25	4.24	4.35	4.27	4.12	4.12
April	2.56	2.75	3.24	4.06	4.29	4.33	4.21	4.21
May	2.74	2.89	3.40	4.05	4.44	4.40	4.28	4.29
June	2.78	2.90	3.62	4.53	4.67	4.51	4.39	4.42
July	2.68	2.83	3.70	4.07	4.31	4.38	4.39	4.40
August	2.82	2.89	3.72	3.88	4.32	4.38	4.39	4.40
September	2.75	2.86	3.75	3.97	4.38	4.39	4.40	4.40
October	2.66	2.87	3.80	4.03	4.37	4.39	4.40	4.40
November	2.73	2.86	3.84	4.02	4.56	4.54	4.51	4.52
December	2.67	2.86	3.89	4.61	4.84	4.80	4.68	4.70

Note: Monthly average rates for each month.

Financial Market Statistics

Money Market Statistics, 2017

	Q1	Q2	Q3	Q4
Turnover of Interbank Borrowing (RMB100 million)	207 632	180 567	189 010	212 602
Turnover of Interbank Repo (RMB100 million)	1 259 720	1 497 622	1 729 433	1 676 908
Quarter-end Shibor: Overnight (%)	2.54	2.62	2.94	2.84
Quarter-end Shibor: 1-Week (%)	2.85	2.85	2.97	2.95
Quarter-end Monthly Weighted Average Rate of Interbank Borrowing (%)	2.62	2.94	2.92	2.91
Quarter-end Monthly Weighted Average Rate of Bond-pledged Repo (%)	2.84	3.03	3.07	3.11
Commercial Bills Accepted (RMB100 million)	55 694	39 097	36 954	37 767
Quarter-end Commercial Bills Outstanding (RMB100 million)	88 400	82 756	81 281	81 715
Financial Institutions Discounted (RMB100 million)	125 339	102 417	87 937	91 134
Quarter-end Financial Institutions Discount Outstanding (RMB100 million)	43 877	38 828	37 463	38 873

Bond Market Statistics, 2017

	Q1	Q2	Q3	Q4
Total Bond Issuances (RMB100 million)	83 028	93 923	122 248	99 294
Government Bonds	9 703	23 189	32 783	17 838
Central Bank Bills	0	0	0	0
Financial Bonds	62 801	58 570	69 605	67 080
Interbank Negotiable Certificates of Deposit	50 029	45 197	53 877	52 770
Corporate Debenture Bonds	10 455	12 001	19 580	14 316
International Institutions Bonds	70	163	280	60
Quarter-end Outstanding Balance of Bond Issuances (RMB100 million)	663 706	686 453	722 816	744 104
Government Bonds	229 439	248 454	267 832	281 538
Central Bank Bills	0	0	0	0
Financial Bonds	255 817	260 855	272 811	278 301
Interbank Negotiable Certificates of Deposit	78 479	79 937	83 260	80 051
Corporate Debenture Bonds	177 843	176 420	181 165	183 252
International Institutions Bonds	607	724	1 008	1 013
Quarter-end Chinabond Composite Index (%, net price)	100.7	99.8	99.4	98.0
Quarter-end Chinabond Yield Curve (%, for 1-year term)	2.86	3.46	3.47	3.79
Quarter-end Chinabond Yield Curve (%, for 10-year term)	3.28	3.57	3.61	3.88

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

Stock Market Statistics, 2017

	Q1	Q2	Q3	Q4
Total Funds Raised (RMB100 million)	3 277	2 349	2 604	3 525
Trading Turnover (RMB100 million)	264 421	258 145	330 385	271 674
Quarter-end Volume of Stocks Issued (100 million shares)	49 757	51 837	52 844	53 747
Quarter-end Market Capitalization (RMB100 million)	539 588	534 322	569 301	567 475
Quarter-end Number of Companies Listed	3 185	3 297	3 399	3 485
Quarter-end Closing Index-				
Shanghai Stock Exchange Composite Index (December 19, 1990=100)	3 223	3 192	3 349	3 307
Shenzhen Stock Exchange Component Index (July 20, 1994=1000)	10 429	10 530	11 087	11 041

Securities Investment Funds Statistics, 2017

	Q1	Q2	Q3	Q4
Number of Securities Investment Funds	4 212	4 424	4 672	4 848
Total Volume (RMB100 million)	89 199	96 312	105 846	110 182
Net Funds Assets (RMB100 million)	92 944	100 698	111 399	115 989
Trading Turnover (RMB100 million)	1 703	1 233	891	652

Futures Market Statistics, 2017

	Q1	Q2	Q3	Q4
Transaction Volume (10 000 lots)	67 975	79 682	88 251	71 200
Trading Turnover (RMB100 million)	414 001	445 073	548 395	471 481
Quarter-end Position (10 000 lots)	1 495	1 591	1 230	1 194
Delivery Volume (lots)	325 978	416 486	324 917	177 645

Insurance Market Statistics, 2017

	Q1	Q2	Q3	Q4
Premium Income (RMB100 million)	15 866	7 274	7 317	8 133
Property Insurance	2 402	2 450	2 378	3 456
Life Insurance	13 464	4 824	4 939	4 676
Claim and Benefit Payments (RMB100 million)	3 305	2 480	2 542	3 860
Property Insurance	1 135	1 159	1 272	2 028
Life Insurance	2 170	1 321	1 269	1 831
Quarter-end Assets, Total (RMB100 million)	161 815	164 304	165 824	167 489
Of which: Bank Deposits	23 605	21 593	20 113	19 274
Investments	117 131	123 406	126 358	129 932

Gold Market Statistics, 2017

	Q1	Q2	Q3	Q4
Value Traded of Au99.99 (RMB100 million)	4 245	4 197	3 626	3 504
Value Traded of Au (T+D) (RMB100 million)	12 389	15 170	12 600	11 410
Value Traded of Ag (T+D) (RMB100 million)	11 055	11 538	14 354	8 405
Au99.99 Quarter-end Closing Price (RMB/g)	278	273	278	273
Au (T+D) Quarter-end Closing Price (RMB/g)	278	273	278	273
Ag (T+D) Quarter-end Closing Price (RMB/kg)	4 124	3 901	3 830	3 760

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

RMB Exchange Rate

Year	Foreign Currency	Year-end Rate (RMB/per unit of foreign currency)	Change in Basis Points
2013	USD	6.0969	-1 886
	HKD	0.7862	-246
	JPY	5.7771	-15 278
	EUR	8.4189	1 013
2014	USD	6.1190	-221
	HKD	0.7889	-26
	JPY	5.1371	64
	EUR	7.4556	9 633
2015	USD	6.4936	3 746
	HKD	0.8378	489
	JPY	5.3875	2 504
	EUR	7.0952	-3 604
2016	USD	6.937	4 434
	HKD	0.8945	567
	JPY	5.9591	5 716
	EUR	7.3068	2 116
2017	USD	6.5342	-4 028
	HKD	0.8359	-586
	JPY	5.7883	-1 708
	EUR	7.8023	-4 955

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

Official Reserve Assets, 2017

	Q1		Q2		Q3		Q4	
	USD100 million	SDR100 million	USD100 million	SDR100 million	USD100 million	SDR100 million	USD100 million	SDR100 million
Foreign Exchange Reserves	30 090.88	22 177.04	30 567.89	21 969.36	31 085.10	21 994.76	31 399.49	22 048.12
Reserve Position at the IMF	96.25	70.94	94.79	68.13	90.91	64.32	79.47	55.80
SDRs	97.62	71.95	100.27	72.07	102.07	72.22	109.81	77.11
Gold	737.39	543.46	735.85	528.86	760.05	537.79	764.73	536.98
	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)	(5 924 ten thousand ounces)
Other Reserve Assets	5.50	4.05	5.03	3.62	5.67	4.01	5.45	3.83
Total	31 027.64	22 867.44	31 503.84	22 642.04	32 043.81	22 673.11	32 358.95	22 721.84

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, 2017

USD100 million

Item	Amount	Item	Amount
I. Current Account	1 649	1.2.8 Charges for the Use of Intellectual Property	-239
Credit	27 089	Credit	48
Debit	-25 440	Debit	-287
1. Goods and Services	2 107	1.2.9 Telecommunications, Computers, and Information Services	77
Credit	24 229	Credit	270
Debit	-22 122	Debit	-193
1.1 Goods	4 761	1.2.10 Other Business Services	161
Credit	22 165	Credit	586
Debit	-17 403	Debit	-426
1.2 Services	-2 654	1.2.11 Personal, Cultural, and Recreational Services	-20
Credit	2 065	Credit	8
Debit	-4 719	Debit	-27
1.2.1 Manufacturing Services	179	1.2.12 Government Services n.i.e	-18
Credit	181	Credit	17
Debit	-2	Debit	-35
1.2.2 Maintenance and Repair Services	37	2. Primary Income	-344
Credit	60	Credit	2 573
Debit	-23	Debit	-2 918
1.2.3 Transport	-561	2.1 Compensation of Employees	150
Credit	372	Credit	217
Debit	-933	Debit	-67
1.2.4 Travel	-2 251	2.2 Investment Income	-499
Credit	326	Credit	2 349
Debit	-2 577	Debit	-2 848
1.2.5 Construction	36	2.3 Other Primary Income	5
Credit	122	Credit	7
Debit	-86	Debit	-3
1.2.6 Insurance and Pension Services	-74	3. Secondary Income	-114
Credit	41	Credit	286
Debit	-115	Debit	-400
1.2.7 Financial Services	18	3.1 Personal Transfer	-25
Credit	34	Credit	70
Debit	-16	Debit	-95

Continued

Item	Amount	Item	Amount
3.2 Other Secondary Income	-89	2.1.2 Portfolio Investments	74
Credit	216	Assets	-1 094
Debit	-305	Equities	-377
II. Capital and Financial Account	570	Debt Securities	-717
1. Capital Account	-1	Liabilities	1 168
Credit	2	Equities	340
Debit	-3	Debt Securities	829
2. Financial Account	571	2.1.3 Financial Derivatives	5
Assets	-3 782	Assets	15
Liabilities	4 353	Liabilities	-10
2.1 Non-reserve Financial Account	1 486	2.1.4 Other Investments	744
Assets	-2 867	Assets	-769
Liabilities	4 353	Other Equities	0
2.1.1 Direct Investment	663	Currency and Deposits	-370
Assets	-1 019	Loans	-397
Of which: Equities	-997	Insurance and Pensions	0
Debts	-22	Trade Credit	-194
Of which: Financial Sector	-187	Others	192
Equities	-185	Liabilities	1 513
Debts	-2	Other Equities	0
Non-financial Sector	-832	Currency and Deposits	1 055
Equities	-812	Loans	496
Debts	-21	Insurance and Pensions	7
Liabilities	1 682	Trade Credit	-12
Of which: Equities	1 422	Others	-32
Debts	260	Special Drawing Rights	0
Of which: Financial Sector	144	2.2 Reserve Assets	-915
Equities	105	Monetary Gold	0
Debts	38	Special Drawing Rights	-7
Non-financial Sector	1 539	Reserve Position at the IMF	22
Equities	1 316	Foreign Exchange Reserves	-930
Debts	222	Other Reserve Assets	0
		3. Net Errors and Omissions	-2 219

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 and financial account. “Credit” and “Debit” entries are recorded as positive and negative values respectively. All other entries are recorded as “balance” except the “Credit” and “Debit” entries.

China's External Debt Position, 2017, by Sector

USD100 million

Item	Amount	Item	Amount
General Government	1 687	Currency & Deposits	4 249
Short-term	170	Debt Securities	709
Currency & Deposits	0	Loans	1 722
Debt Securities	170	Trade Credits & Advances	0
Loans	0	Other Debt Liabilities	15
Trade Credits & Advances	0	Long-term	1 760
Other Debt Liabilities	0	Currency & Deposits	0
Long-term	1 516	Debt Securities	1 147
SDR Allocations	0	Loans	606
Currency & Deposits	0	Trade Credits & Advances	0
Debt Securities	1 006	Other Debt Liabilities	7
Loans	510	**Other Sectors**	4 555
Trade Credits & Advances	0	Short-term	3 332
Other Debt Liabilities	0	Currency & Deposits	1
Central Bank	234	Debt Securities	28
Short-term	108	Loans	350
Currency & Deposits	108	Trade Credits & Advances	2 821
Debt Securities	0	Other Debt Liabilities	133
Loans	0	Long-term	1 223
Trade Credits & Advances	0	Currency & Deposits	0
Other Debt Liabilities	0	Debt Securities	319
Long-term	126	Loans	726
SDR Allocations	100	Trade Credits & Advances	50
Currency & Deposits	0	Other Debt Liabilities	127
Debt Securities	0	**Direct Investment: between Enterprises**	2 175
Loans	0	Liabilities of Direct Investment Enterprises to Direct Investment Investors	1 515
Trade Credits & Advances	0	Liabilities of Direct Investment Investors to Direct Investment Enterprises	44
Other Debt Liabilities	27	Liabilities to Affiliated Enterprises	616
Other Depository Corporations	8 455	**Total External Debt Positions**	17 106
Short-term	6 696		

Notes: "Short-term" and "Long-term" are decided upon by the signed agreements; This table employs rounded-off numbers.

RMB Internationalization

Statistics on RMB Cross-border Payments and Receipts

RMB100 million

Year	Current Account			Capital Account				RMB Settlements of Cross-border Trade
	Total	Trade in Goods	Trade in Services and Others	Total	Overseas Direct Investments	Foreign Direct Investments	Other	
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
2017	43 565	32 657	10 908	48 365	4 569	11 801	31 995	91 930
Total	328 275	280 996	47 278	210 390	26 296	59 660	124 435	538 665

RMB Financial Assets Held by Overseas Institutions and Persons

RMB100 million

	Jan. 2017	Feb. 2017	Mar. 2017	Apr. 2017	May 2017	Jun. 2017
Stocks	7 002.11	7 431.49	7 768.23	7 884.41	8 053.78	8 680.40
Bonds	8 221.50	8 618.50	8 301.62	8 490.67	8 534.12	8 920.99
Loans	6 136.80	6 069.84	6 995.50	7 404.45	8 116.72	8 176.64
Deposits	9 773.98	9 918.22	9 242.47	10 944.89	9 250.25	11 809.68

	Jul. 2017	Aug. 2017	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017
Stocks	9 238.58	9 081.26	10 210.27	11 211.38	11 191.85	11 746.70
Bonds	9 331.78	10 119.21	11 041.92	11 502.23	11 558.98	11 988.32
Loans	9 100.34	8 412.88	7 806.87	7 985.04	7 187.97	7 390.00
Deposits	10 456.08	11 004.91	11 338.44	11 502.18	12 322.36	11 734.72

Flow of Funds Statement, 2016 (Financial Transaction Accounts)

	Households		Non-financial Corporations		General Government		Financial Institutions	
	Uses	Sources	Uses	Sources	Uses	Sources	Uses	Sources
Net Financial Investments	43 772		-24 001		7 186		-13 935	
Financial Uses	114 733		125 611		85 665		421 816	
Financial Sources		70 961		149 612		78 480		435 751
Currency	4 222		458		102			5 087
Deposits	55 558		86 078		33 436		11 440	182 453
Demand Deposits	28 507		41 300		17 792			87 600
Time Deposits	24 681		31 191		8 360			64 232
Fiscal Deposits					805			805
Foreign Exchange Deposits	2 413		5 079		-73		-287	5 615
Other Deposits	-44		8 507		6 552		11 728	24 201
Customer Margin of Securities Companies	-2 106		-1 609		-1 050		-1 381	-6 227
Loans		70 961		76 090		-1 160	158 129	6 585
Short-term Loans & Discounted Commercial Paper Loans		7 043		16 229			23 272	
Medium & Long-term Loans		56 813		41 828			98 640	
Foreign Exchange Loans		8		-8 566		-80	-2 957	9
Designated Loans		6 725		15 620		-1 079	21 339	91
Other Loans		372		10 979			17 835	6 485
Undiscounted Bankers' Acceptance Bills			-19 531	-19 531			-19 531	-19 531
Insurance Technical Reserves	16 998		939			7 906		10 030
Inter-financial Institution Accounts							11 503	9 459
Required & Excessive Reserves							26 778	26 572
Securities	4 726		6 241	46 068	2 404	71 199	158 694	50 501
Bonds	225		911	32 654	161	71 199	155 074	49 347
Government Bonds	234		-7		-30	71 199	69 200	
Financial Bonds	-43		-27		12		57 827	53 629
Central Bank Bonds							-3 915	-4 282
Corporate Bonds	34		945	32 654	179		31 962	
Shares	4 501		5 330	13 414	2 244		3 620	1 153
Securities Investment Funds Shares	3 975		3 037		1 982		2 606	11 754
Cash in Vault							-74	-89
Central Bank Loans							38 686	38 686
Miscellaneous (net)	31 360		28 364	48 800	48 791		59 803	119 517
Foreign Direct Investments			14 427	11 329				
Changes in Other Foreign Assets & Debts			7 207	1 649		534	4 632	953
Changes in Reserve Assets							-29 469	0
Errors & Omissions in the BOP				-14 793				

RMB100 million

All Domestic Sectors		Rest of the World		Total		
Uses	Sources	Uses	Sources	Uses	Sources	
13 021		-13 021		0		Net Financial Investments
747 825		1 421		749 246		Financial Uses
	734 804		14 442		749 246	Financial Sources
4 782	5 087	305		5 087	5 087	Currency
186 512	182 453	-936	3 122	185 576	185 576	Deposits
87 600	87 600			87 600	87 600	Demand Deposits
64 232	64 232			64 232	64 232	Time Deposits
805	805			805	805	Fiscal Deposits
7 132	5 615	1 605	3 122	8 738	8 738	Foreign Exchange Deposits
26 743	24 201	-2 541		24201	24 201	Other Deposits
-6 145	-6 227	-82		-6 227	-6 227	Customer Margin of Securities Companies
158 129	152 476	-2 955	2 697	155 173	155 173	Loans
23 272	23 272			23 272	23 272	Short-term Loans & Discounted Commercial Paper Loans
98 640	98 640			98 640	98 640	Medium & Long-term Loans
-2 957	-8 628	-2 955	2 715	-5 913	-5 913	Foreign Exchange Loans
21 339	21 357		-18	21 339	21 339	Designated Loans
17 835	17 835			17 835	17 835	Other Loans
-39 062	-39 062			-39 062	-39 062	Undiscounted Bankers' Acceptance Bills
17 936	17 936			17 936	17 936	Insurance Technical Reserves
11 503	9 459	2 900	4 944	14 403	14 403	Inter-financial Institution Accounts
26 778	26 572	-206		26 572	26 572	Required & Excessive Reserves
172 065	167 768	2 569	6 867	174 635	174 635	Securities
156 371	153 200	1 137	4 308	157 508	157 508	Bonds
69 397	71 199	1 801		71 199	71 199	Government Bonds
57 768	53 629	133	4 272	57 901	57 901	Financial Bonds
-3 915	-4 282	-367		-4 282	-4 282	Central Bank Bonds
33 120	32 654	-430	36	32 690	32 690	Corporate Bonds
15 695	14 567	1 433	2 560	17 127	17 127	Shares
11 600	11 754	154		11 754	11 754	Securities Investment Funds Shares
-74	-89		15	-74	-74	Cash in Vault
38 686	38 686			38 686	38 686	Central Bank Loans
168 317	168 317			168 317	168 317	Miscellaneous (net)
14 427	11 329	11 329	14 427	25 756	25 756	Foreign Direct Investments
11 839	3 136	3 136	11 839	14 975	14 975	Changes in Other Foreign Assets & Debts
-29 469	0	0	-29 469	-29 469	-29 469	Changes in Reserve Assets
	-14 793	-14 793		-14 793	-14 793	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 a cash flow 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 agencies. They produce and supply non-profit output for public and individual consumption. They also assume responsibilities for redistributing national income and wealth.

Financial Institutions: All financial corporations and quasi-corporations that are mainly engaged in financial intermediary or relevant financial activities. These institutions provide financial services in banking, insurance, and securities sectors.

Rest of the World: Non-resident units that have financial transactions with resident 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[②]: Notes and coins in circulation.

Deposits: All types of deposits of the depository institutions, including demand deposits, time deposits, fiscal deposits, foreign exchange deposits, and others.

Demand Deposits: Deposits that can be withdrawn on demand.

Time Deposits: Deposits that cannot be readily withdrawn because they are subject to a fixed term and prior notice before withdrawal.

Fiscal Deposits: Deposits of the government in banking institutions.

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

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 from financial institutions to enterprises and households with a longer term maturity (usually more than one year).

Foreign Exchange Loans: Loans in foreign currencies to domestic institutions and the rest of the world and loans to domestic institutions 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, financial leasing, advances, 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.

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: Securities issued by institutions to raise funds and repaid in line with stipulated terms and conditions. Bonds include government bonds, financial bonds, central bank bonds, enterprise bonds, etc.

Government Bonds: Bonds issued and guaranteed by the government institutions with interest and principal repaid on dates as agreed.

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[③]: 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.

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, bonds, or in reserve assets.

Changes in International Reserve Assets: Refers to external assets held by China's central bank, including foreign exchange, gold, special drawing rights, and reserve positions with the International Monetary Fund (IMF).

Errors and Omissions in the Balance of Payments[④]: Arise from inconsistencies between current account and capital and financial account due to differences in sources and point of time during the process of compiling the Balance of Payments through double-entry accounting.

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

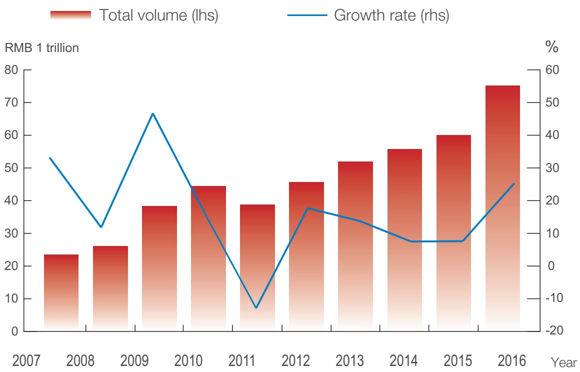
④ As it is difficult to identify the size of this item in the current account and that in the capital account, all errors and omissions in the Balance of Payments are presented in the Financial Transaction Accounts of the Flow of Funds Statement.

FLOW OF FUNDS IN 2016

The volume of the flow of funds in the entire system continued to expand and witnessed substantial growth

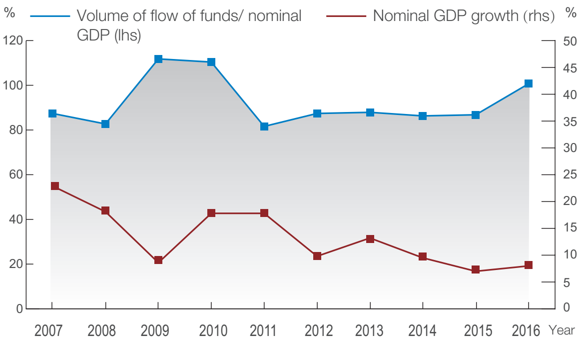
In 2016, the volume of the flow of funds in the entire system registered RMB74.9 trillion, a RMB15.1 trillion expansion from the previous year. The year-on-year growth registered 25.3 percent, 17.7 percentage points higher than in 2015. The ratio of the total volume of the flow of funds against the GDP was 100.7 percent, 13.9 percentage points higher than that in 2015 (Figure 1 and 2) and exceeding 100 percent for the first time since 2011. This suggested that the fund demand in the entire society had increased by a large margin, but the efficiency of fund utilization had declined. China's ratio was relatively high compared with those in major advanced economies, such as 30.7 percent in the US and 58.1 percent in Japan.

Figure 1. Total Volume and Growth of the Flow of Funds



Source: People's Bank of China

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



Sources: People's Bank of China and National Bureau of Statistics

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

In 2016, newly increased liabilities and equity financing of domestic non-financial sectors (including households, non-financial corporations, and the general government, the same thereinafter) registered[1] RMB29.9 trillion, a historical high, and RMB6 trillion higher than that of the previous year. The year-on-year growth was 25 percent, 2.8 percentage points higher than in 2015. The ratio of total volume of newly increased liabilities and equity financing of domestic non-financial sectors to the nominal GDP was 40.2 percent, which was 5.5 percentage points higher than in 2015 (Figure 3).

In terms of sectors, the total volume of incremental liabilities by household, nonfinancial corporations, and government sectors were all higher than those in 2015, but the increase was more evident in the household and government sectors.

1 Newly increased liabilities and equity financing of the domestic non-financial sector include new loans, bond financing, equity financing, undiscounted banker's acceptance, insurance reserves, external liabilities, and etc..

Table 1. Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Sector in 2016

	New Increase (RMB100 million)	YoY change (RMB100 million)	YoY Growth (%)	Ratio (%)	YoY change (Percentage points)
Total	299 052	59 813	25.0	100.0	-
Household	70 961	23 239	48.7	23.7	3.8
Non-financial Corporations	149 612	13 080	9.6	50.0	-7.0
General Government	78 480	23 494	42.7	26.2	3.3

Source: People's Bank of China

During the year, the newly increased liabilities and equity financing by household, non-financial corporations, and government sectors were RMB7.1 trillion, RMB15 trillion, and RMB7.8 trillion, up RMB2.3 trillion, RMB1.3 trillion, and RMB2.3 trillion year on year, accounting for 23.7 percent, 50 percent, and 26.2 percent of the total volume of the newly increased liabilities and equity financing by domestic non-financial sectors, respectively. In particular, the share of household and government sectors increased 3.8 percentage points and 3.3 percentage points, respectively, whereas that of non-financial corporations declined 7 percentage points (Table 1).

In terms of financial instruments, the financing through treasury bonds and equity increased substantially; the financing through loans increased; and, the financing through undiscounted bankers' acceptances witnessed a remarkable decrease. In 2016, newly increased financing by domestic non-financial sectors through loans[2], bonds, insurance reserves, and equities increased RMB14.6 trillion, RMB10.4 trillion, RMB790.6 billion, and RMB1.3 trillion, up 17.7 percent, 30.9 percent, 12.5 percent, and 72.9 percent year on year, respectively. Newly increased undiscounted bankers' acceptances declined RMB2 trillion, RMB896.3 billion more than the decrease in 2015. In terms of proportions, the proportion of treasury bonds (23.8 percent) and equity (4.5 percent) increased 3.6 and 1.2 percentage points year on year respectively, while the proportion of loans (48.8 percent), undiscounted bankers' acceptances (-6.5 percent), insurance reserves (2.6 percent), and corporate bonds (10.9 percent) declined 3.6, 2.1, 0.3 and 1.4 percentage points year on year, respectively (Table 2).

Table 2. Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by the Financing Structure in 2016

	New Increase (RMB100 million)	YoY change (RMB100 million)	YoY Growth (%)	Ratio (%)	YoY change (Percentage points)
Total	299 052	59 813	25.0	-	-
Loans	145 891	21 952	17.7	48.8	-3.6
Undisclosed Bankers Acceptances	-19 531	-8 963	84.8	-6.5	-2.1
Insurance Reserves	7 906	881	12.5	2.6	-0.3
Bonds	103 853	24 522	30.9	34.7	2.2
Of Which: Corporate Bonds	32 654	576	1.8	10.9	-1.4
Treasury Bonds	71 199	23 947	50.7	23.8	3.6
Equity	13 414	5 657	72.9	4.5	1.2
Foreign Liabilities	-1 281	-1 106	633.4	-0.4	-0.2

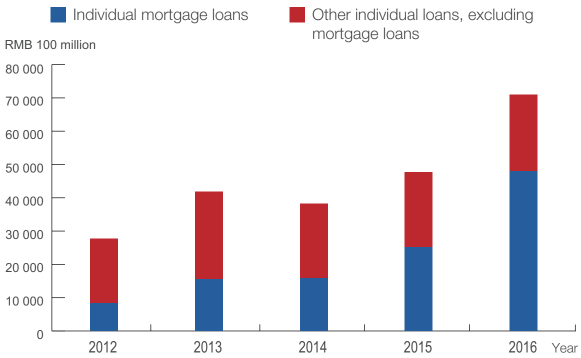
Source: People's Bank of China

Demand for financing by the household sector strengthened, as demand for housing edged up

In 2016, the newly increased liabilities by the household sector registered RMB7.1 trillion, which was RMB2.3 trillion larger than in 2015. The year-on-year growth was 48.7 percent, 23.9 percentage points higher than 2015. Driven by stronger housing demand by households, total sales of residential real estate registered RMB9.9 trillion in 2016, increased 36.1 percent year on year, which was 19.5 percentage points higher than that in 2015. Individual mortgage loans increased RMB4.8 trillion, RMB2.3 trillion more than that in 2015. It accounted for 67.7 percent in newly increased liabilities by the household sector, 14.8 percentage points higher than 2015, becoming the major source of newly increased liabilities by the household sector (Figure 3).

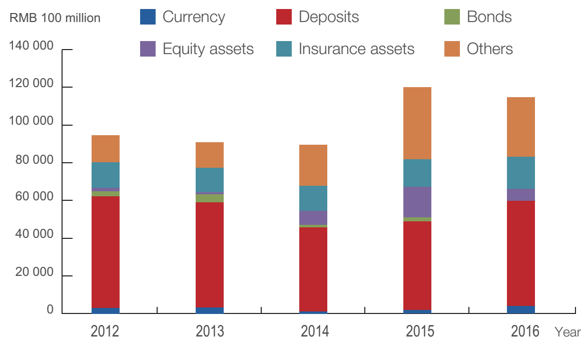
2 Statistics of loans are processed according to a broad definition, including general loans, entrusted loans, trust loans, wealth management loans, and loans by micro-credit companies and credit companies, etc. (the same hereinafter).

Figure 3. Composition of Newly Increased Liabilities of the Household Sector



Source: People's Bank of China

Figure 4. Composition of Newly Increased Financial Assets in the Household Sector



Source: People's Bank of China

In 2016, holdings of financial assets by the household sector increased RMB11.5 trillion, RMB515.5 million or 4.3 percent less than that of 2015. In terms the composition of the assets, the household sector adjusted the structure of its holdings, which was reflected in a higher proportion of deposits and a lower share of other assets and equities. Since the removal of the deposit interest rate ceiling in October 2015, bank deposits had become more attractive as the interest rates went up, while the attraction of wealth management products, money market funds, and equities had declined. During the year, newly increased household deposits[3] reached RMB5.6 trillion, RMB874 billion more than in 2015 and accounting for 48.4 percent of the total newly increased financial assets held by the household sector, up 9.4 percentage points from 2015. Against the background of downward economic performance in 2016, most financial institutions faced asset shortages. This resulted in reduced fund demand and significantly lower yield of wealth management products. Newly increased other assets, including wealth management assets, registered RMB3.1 trillion, which was RMB664.3 billion less than that in 2015. The stock market continued bearish performance. With Shanghai Stock Exchange Composite Index down 12.3 percent, investment enthusiasm was dampened. Newly increased equity assets[4] amounted to RMB637 billion, which was RMB1 trillion less than in 2015 and they accounted for 5.6 percent of the total, 8.1 percentage points lower than that in 2015 (Figure 4).

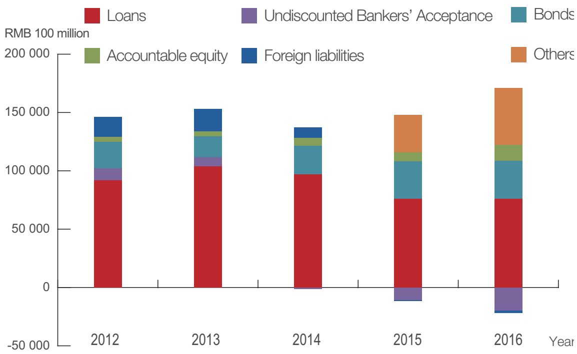
The increase of financial assets in the non-financial corporate sector decelerated and the financing gap widened

In 2016, newly increased financing in non-financial corporate sector registered RMB15 trillion, RMB1.3 trillion or 9.7 percent more than that in 2015. Loan financing, bond financing, and equity financing increased compared with 2015, but undiscounted banker's acceptance dropped by a large margin. In 2016, the bond market witnessed similar accommodative policy as in 2015, further simplified procedures, and the emergence of innovative bond products. Supported by the policy objective of stabilizing growth, the issuance of city investment bonds had risen sharply, pushing up bond financing. Incremental corporate bond financing registered RMB3.3 trillion, RMB57.6 billion more than that in the previous year. Though IPO shrank by 8 billion year on year, but equity financing through private placement and right offering increased markedly. As a result, equity financing reached RMB1.3 trillion, RMB600 billion more than that in the previous year. Non-

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 *Summery of Source and Uses of Credit Funds of Financial Institutions* (the same hereinafter).

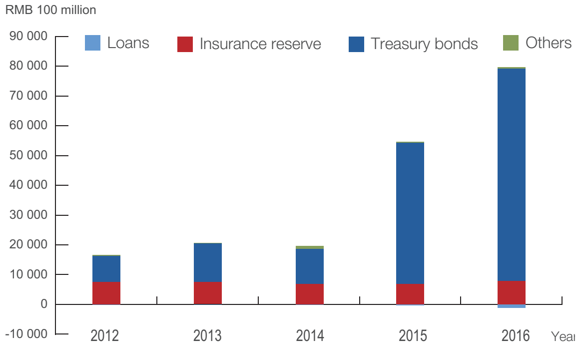
4 Equity-related assets include equity financing, securities investment funds, and the margins of securities companies' clients (the same hereafter)

Figure 5.Composition of Newly Increased Liabilities and Equity Financing in the Non-financial Corporate Sector



Source: People's Bank of China

Figure 6.Composition of Newly Increased Major Liabilities in the Government Sector



Source: People's Bank of China

financial corporates have seen the ratio of direct financing rise and that of indirect financing fall. Newly increased loans registered RMB7.6 trillion, RMB10.7 billion more than that in 2015 and they accounted for 50.9 percent of the newly increased financing, 4.8 percentage points lower than in 2015. In 2016, the frequent outbreak of banker's acceptance-related cases led to tightened regulation. Banker's acceptance business became more prudent and issuance of banker's acceptance bills dropped sharply. Newly increased financing through undiscounted bankers' acceptances decreased RMB2 trillion, which were RMB896.3 billion more than the decrease in 2015. Newly increased other financial liabilities recorded RMB4.9 trillion, RMB1.7 trillion more than 2015. The reason was that local governments had issued bonds to replace the outstanding debts of financing vehicles (which are obliged to service the debt). In other words, a proportion of the corporate debts was transmitted to government debts (Figure 5).

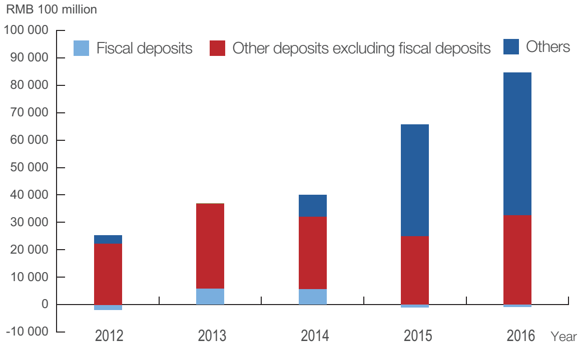
Newly increased financial assets held by the non-financial corporate sector reached RMB12.6 trillion, RMB109.9 billion or 0.9 percent less than the increase in 2015. Specifically, deposits increased RMB8.6 trillion, RMB1.9 trillion more than that in the previous year and they accounted for 68.5 percent of the total newly increased financial assets held by the non-financial corporate sector, up 15.6 percentage points compared with that in 2015. The higher ratio of newly increased financial assets by non-financial corporates suggested that, under the downward economic pressure, corporates were less motivated to make investments and expand production. In 2016, net financial investment (financing gap) went up RMB2.4 trillion, RMB1.4 trillion more than in 2015.

Newly increased liabilities of the government sector expanded substantially and the use of fund become more balanced

In 2016, the government sector (including central and local governments, government agencies and organizations, administrative entities, and social security funds, the same hereinafter) recorded newly increased liabilities equaling RMB7.8 trillion, RMB2.3 trillion or 42.7 percent more than that in the previous year. As local governments issued bonds to replace the debt stock, newly increased liabilities in the form of government bonds totaled RMB7.1 trillion, RMB2.4 trillion more than that in 2015 and accounting for 90.7 percent of the total, up 4.8 percentage points (Figure 6).

Newly increased financial assets held by the government sector were RMB8.6 trillion, RMB2.1 trillion more than that in the previous year. Specifically, newly increased deposits registered RMB 3.3 trillion, RMB946.4 billion more than that in 2015. Other incremental assets reached RMB5.2 trillion, which was RMB1.1 trillion more than in 2015 (Figure 7). The reason was that local governments had issued bonds to replace the debts of

Figure 7.Composition of Newly Increased Major Financial Assets in the Government Sector



Source: People's Bank of China

financing vehicles and the account receivables from non-financial corporates increased.

Despite the fiscal deficit of RMB2.8 trillion in 2016, after netting the government revenues and expenditures, the overall net fund surplus reached RMB748.1 billion (the net fund surplus equals to newly increased financial assets less the newly increased financial liabilities), RMB235.6 billion less than that in 2015. This revealed that the general government sector had plenty of fund, and the source and utilization of fund became more balanced.

Growth of financial institutions' liabilities and incremental equity financing accelerated

In 2016, 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 hereinafter) reached RMB43.6 trillion, a year-on-year increase of RMB8 trillion or 22.3 percent over that in the previous year, up 14.6 percentage points. Newly increased deposits registered RMB18.2 trillion, RMB2.7 trillion more than in 2015. Newly increased required reserve amounted to RMB2.7 trillion, RMB4.4 trillion more than in 2015. The reason was that the PBC lowered the required reserve ratio 5 times in 2015, cutting the rate by 3 percentage points, as a result the required reserve decreased RMB1.8 trillion. In 2016, the required reserve ratio went down by another 0.5 percentage point, but from January 25, 2016, normal required reserve policy began to apply to the RMB deposits of foreign financial institutions in domestic financial institutions. Therefore, the base of required reserve expanded. In addition, newly increased bond financing in the financial sector reach RMB4.9 trillion, RMB230.6 billion more than in 2015.

Financial institutions newly increased financial assets totaled RMB42.2 trillion, up RMB11.7 trillion or 38.5 percent year on year. Clear increase can be seen in various types of financial assets, including bonds, deposits reserve, central bank loans, and commercial bank loans. Bond insurance increased substantially in 2016. The major holder was the financial sector and newly increased bond assets reached RMB15.5 trillion, RMB3.2 trillion more than in 2015. Newly increased bond assets accounted for 36.8 percent of total incremental financial assets, a drop of 3.7 percentage points compared with that in 2015. The newly increased deposits reserve went up RMB2.7 trillion, RMB4.4 trillion more than 2015; and it constituted 6.3 percent of the newly increased financial assets and indicated a gain of 12.1 percentage points. Newly increased central bank loans reached RMB3.9 trillion, 4 trillion more than 2015; and it accounted for 9.2 percent of the total, an increase of 9.5 percentage points compared with 2015. The reason was that in 2016, the PBC improved the combination and term-structure of the monetary policy tools, and increased the use of open market operations, MLF, SLF and PSL to keep market liquidity at a reasonable level. The PBC's claim on financial institutions expanded by a large margin, with MLF increasing RMB2.8 trillion compared with that at the beginning of 2016. Newly increased loans reached RMB15.8 trillion, RMB1.4 trillion more than 2015, accounting for 37.5 percent of the total, 9.7 percentage points lower than in the previous year. The net foreign financial assets dropped RMB2.5 trillion, as the foreign exchange reserves declined to RMB2.9 trillion.

Growth of external financial assets decelerated

Newly increased foreign financial assets held by China (Chinese funds used by the rest of the world) reached RMB1.4442 trillion. Specifically, outbound direct investment grew by RMB1.4427 trillion, RMB 312.9 billion more year on year. In 2016, while global direct investment declined 2 percent, outbound direct investment from China went up against the trend and reached USD217.2 billion, 25 percent higher than in 2015. In the meantime, foreign investment utilization in China recorded USD170.6 billion. Outbound direct investment exceeded inbound investment, resulting in a relatively large deficit.

Among the outbound fund transactions, newly increased liabilities and equity financing amounted to RMB142.1 billion. External net financial assets[5] went up RMB1.3 trillion, RMB761.9 billion less than that in 2015. The deceleration of growth in external net financial assets was due to the fact that the net inflow of the financial sector had offset the net outflow of the non-financial corporate sector.

5. External net financial assets= newly increased foreign financial assets-newly increased foreign financial liabilities.

CHRONICLE

January

5-6 Jan.

The Work Conference of the PBC was held in Beijing. Fully in line with the requirements of the 6th Plenary Session of the 18th Central Committee of the CPC and the Central Economic Work Conference, the PBC reviewed its work in 2016, analyzed current economic and financial developments, and laid out the work for 2017.

8-9 Jan.

Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the BIS in Basel, Switzerland. The meeting mainly discussed reasons for the sudden collapse of the British pound and its implications, the impact of private and public debt on expansionary fiscal policy, and the synergy between monetary and fiscal policies.

13 Jan.

The PBC published the *Notice on Issues Concerning the Macro-prudential Management of Full-coverage Cross-border Financing* to further improve the macro-prudential management policy on full-coverage cross-border financing.

The General Office of the PBC issued the *Notice on Issues Concerning the Implementation of Centralized Depository of Clients' Reserves at Payment Institutions*, clearly stipulating the requirements of centralized depository of clients' reserves. According to the notice, payment institutions should put part of clients' reserves in the special deposit account at designated institutions. The required reserve deposit ratio in centralized depository averaged around 20 percent initially and will rise to 100 percent finally. The initial required reserve deposit ratio is calculated based on the type of business and rating of each payment institution. The required deposit reserve amount is based on the daily average of outstanding clients' reserves in the previous quarter and adjusted monthly.

16-17 Jan.

The Group of 20 (G20) Green Finance Study Group met in Frankfurt, Germany. Co-hosted by the PBC and the BOE, the meeting discussed how to advance the financial sector environmental risk analysis and improve the availability of environmental data.

22 Jan.

The PBC and the MOF jointly released the *Notice on Fully Introducing Cash Management at the Provincial Fiscal Agents* to expand the pilot to all provincial fiscal agents and clearly stipulated relevant work requirements.

23 Jan.

The PBC, CBRC, CSRC, CIRC, and the Poverty Alleviation Office jointly issued the *Notice on Evaluating Results of Financial Policies on Targeted Poverty Alleviation* to improve financial policies on targeted poverty alleviation through result evaluations.

February

27 Feb.

In line with rules on targeted RRR cuts, for the participating financial institutions, the PBC assessed their performance on financial support for agriculture, rural areas, farmers as well as for small and micro businesses and adjusted their RRRs dynamically based on the assessment results.

27-28 Feb.

Fan Yifei, Deputy Governor of the PBC, attended the FSB Plenary Meeting in Cape Town, South Africa. The meeting discussed market-based financing, resolution of central counterparties (CCP), reform of OTC derivatives market, FinTech, misconduct risk, and impact assessment of G20 regulatory reform.

March

7 Mar.

The PBC, the Ministry of Industry and Information Technology (MIIT), the CBRC, CSRC and CIRC published the *Guidelines on Providing Financial Support for Building China into a Manufacturing Power* to further develop diverse financial services and vigorously promote financial product and service innovation to step up and improve financial support for fostering a manufacturing power.

13 Mar.

The General Office of the PBC published the *Opinions on Properly Implementing Credit Policy in 2017* with focus on enhancing the role of credit policy in structural adjustments, seeking substantive progress in supply-side structural reform, and revitalizing the real economy by promoting the transformation and upgrading of economic structure while sticking to the general principle of seeking progress amid stability.

16 Mar.

The Beijing Representative Office of the Central Bank of the Russian Federation was opened, which is its first overseas representative office. Yi Gang, Deputy Governor of the PBC, attended the opening ceremony.

17-18 Mar.

The first G20 Finance Ministers and Central Governors meeting in 2017 was held in Baden-Baden, Germany. Zhou Xiaochuan, Governor of the PBC, and Yin Yong, Deputy Governor of the PBC, attended the meeting. The first BRICS Finance Ministers and Central Bank Governors Meeting was also held during the period.

19-20 Mar.

Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the BIS held in Basel, Switzerland which mainly discussed the performance of bond repo market, the turning point of global inflation, and the patterns and risks of global US dollar intermediary activities.

23-26 Mar.

Zhou Xiaochuan, Governor of the PBC, attended the plenary session of the Boao Forum For Asia Annual Conference 2017 entitled *Globalization and Free Trade: the Asian Perspectives* and delivered a keynote speech at the session of *Testing the Limits of Monetary Policy*.

29 Mar.

The Monetary Policy Committee (MPC) of the PBC had its first quarterly meeting in 2017 in Beijing.

April

1-2 Apr.

Zhang Xiaohui, Assistant Governor of the PBC, attended the 58th Annual Meeting of the Board of Governors of the Inter-American Development Bank (IDB) held in Asuncion, Paraguay. The meeting discussed the economic developments in Latin America and the Caribbean, reviewed the operations of the IDB in 2016, and reached general consensus on the establishment of the Multilateral Investment Fund III.

2-4 Apr.

CHEN Yulu, Deputy Governor of the PBC, attended the 37th Meeting of Central Bank Governors Club of Central Asia, Black Sea Region and Balkan Countries in Antalya, Turkey. In-depth discussions were held on such issues as trade-off between monetary policy and financial stability, resilience of economic growth, and regional economic and financial developments.

5-6 Apr.

Yin Yong, Deputy Governor of the PBC, attended the ASEAN Plus China, Japan and Republic of Korea (ASEAN+3) Finance and Central Bank Deputies Meeting in Cebu, the Philippines. Deputies discussed the IMF-delinked portion of Chiang Mai Initiative Multilateralization (CMIM), issues regarding the ASEAN+3 Macroeconomic Research Office (AMRO), and the Asian Bond Markets Initiative (ABMI).

7 Apr.

To thoroughly understand and implement the latest decisions and arrangements of the central government regarding the coordinated development of Beijing, Tianjin, and Hebei Province, the PBC, the National Development and Reform Commission (NDRC), the CSRC and other ministries as well as the local governments of Beijing, Tianjin and Hebei, co-hosted a forum on providing financial support for the Beijing-Tianjin-Hebei coordinated development.

18 Apr.

Zhang Xiaohui, Assistant Governor of the PBC, accompanied the Vice Premier of the State Council Zhang Gaoli to the 8th meeting of China-Kazakhstan Cooperation Committee in Astana, Republic of Kazakhstan.

20-22 Apr.

The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the 2017 Spring Meetings of the IMF and the World Bank Group in Washington D.C., the United States. Major issues discussed at these meetings included global economic and financial developments, the IMF reform, international financial architecture, and financial sector reform. They also attended the 2nd G20 Finance Ministers and Central Bank Governors Meeting.

26 Apr.

The PBC Committee of the CPC convened an ad hoc meeting to study the important speech delivered on April 25 by Xi Jinping, the General Secretary of the CPC, at the meeting and group study of the Central Politburo of the CPC, and deliberated implementation measures.

May

2 May

The PBC, the MIIT, the Ministry of Commerce (MOFCOM), the State-owned Assets Supervision and Administration Commission (SASAC), the CBRC and the State Administration of Foreign Exchange (SAFE) jointly released the *Work Program for the Special Campaign on Account Receivable Financing for Small and Micro Businesses (2017-2019)* in an effort to actively promote account receivable financing. The move came as China attempted to break the financing bottleneck for small and micro businesses through a multi-pronged approach, such as mobilizing the stock of assets at small and micro businesses.

7-8 May

Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the BIS in Tokyo, Japan. The meeting mainly discussed FinTech credit, drivers and challenges of global business investment recovery, and the role of monetary policy in business investment recovery.

9 May

The PBC, CBRC, CSRC, CIRC, and the Standardization Administration jointly issued the *Program for Developing the Financial Sector Standardization System (2016-2020)*, clearly setting out the guiding concept, basic principles, development goals, major tasks, key projects, and supporting measures regarding the financial sector standardization during the 13th Five-year Plan period.

9-10 May

Zhou Xiaochuan, Governor of the PBC, attended the 26th Annual Meeting of the European Bank for Reconstruction and Development (EBRD) in Nicosia, Cyprus. Issues discussed at the meeting included the operation and finance position of the EBRD in 2016, profit distribution plan, the strategy execution plan for 2017-2019, and inclusive growth.

11 May

The NDRC and PBC convened the 2017 Inter-ministerial Joint Conference on the Development of Social Credit System to exchange information on the implementation of joint reward and penalty measures on credit performance. The conference also mulled over joint incentives or penalties for trustworthy or non-trustworthy behaviors and the credit performance monitoring system in urban areas.

14-15 May

China hosted the Belt and Road Forum for International Cooperation in Beijing. President Xi Jinping presided over the forum and delivered a series of keynote speeches. Zhou Xiaochuan as the PBC governor, Yi Gang and Pan Gongsheng as deputy governors attended the event. A number of outcomes were announced during the forum, including the capital increase of the Silk Road Fund, encouraging financial institutions to launch their overseas RMB funds, and establishing the China-IMF Capacity Development Center. The PBC and MOF co-organized the thematic session on financial connectivity, during which participants discussed how to strengthen investment and financing cooperation under the Belt and Road Initiative (BRI).

14-16 May

Yin Yong, Deputy Governor of the PBC, attended the 22nd Governors' Meeting of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and the 6th Informal Meeting of the EMEAP Governors and Heads of Supervision.

15 May

The PBC set up the FinTech Committee in a bid to enhance research on FinTech and work planning as well as overall coordination.

16 May

To promote the mutual development of the Mainland and Hong Kong bond markets, the PBC and the Hong Kong Monetary Authority (HKMA) decided to allow the China Foreign Exchange Trade System (also known as the National Interbank Funding Center), the China Central Depository and Clearing Co. Ltd., and the Shanghai Clearing House to cooperate with the Hong Kong Exchanges and Clearing Ltd. (HKEX) and the Central Moneymarkets Unit in promoting the connectivity of the Mainland and Hong Kong bond markets.

19 May

The PBC and the Reserve Bank of New Zealand (RBNZ) renewed their bilateral local currency swap agreement. The size of renewed swap facility remained unchanged at RMB25 billion / NZD 5 billion with a term of three years.

20-27 May

During the national science and technology week, the PBC organized 2017 FinTech week with the theme of Technology Innovation-driven Financial Inclusion. The events fully showcased the achievements in FinTech innovation and financial inclusion, aiming to encourage financial institutions to continuously enhance the awareness of technology innovation so as to provide safe, efficient, and a wide variety of financial services to the general public.

23 May

The PBC issued the *Administrative Measures on Information Management System for the Cross-border RMB Payments and Receipts* as a move to ensure safety, stability, and efficiency by strengthening the administration of the information management system.

30 May

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang to the Annual China-Germany Prime Ministers' Meeting held in Berlin, Germany.

The initiation ceremony of the China-Brazil Cooperation Fund for the Expansion of Production Capacity (China-Brazil Fund) was held in Sao Paulo, Brazil. Representatives from Brazil's Ministry of Planning, Budget and Management, and the China Latin American Industrial Cooperation Investment Fund signed the document on establishing the Fund. The Steering Committee of the China-Brazil Fund convened its first meeting and endorsed the *Operation Rules of the China-Brazil Fund*, officially kicking off the operation of the Fund.

June

1-2 Jun.

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang to the 19th China-EU Summit in Brussels, Belgium.

8 Jun.

The PBC published the *Development Program of Information Technology in China's Financial Sector during the 13th Five-year Plan Period*, clearly stipulating the guiding concept, basic principles, development goals, key tasks, and supporting measures for the work on information technology in financial sector during the 13th Five-year Plan Period.

For the convenience of the corporate and the general public, the PBC launched an online portal (http://xzxk.pbc.gov.cn) for administrative approvals.

18-23 Jun.

Yin Yong, Deputy Governor of the PBC, headed a delegation to the 3rd Financial Action Task Force (FATF) Plenary Meeting of FATF-XXVIII in Valencia, Spain. Delegates discussed issues such as counter financing of terrorism, transparency and beneficial ownership, de-risking, and internal governance reform.

19 Jun.

Chen Yulu, Deputy Governor of the PBC, attended and co-chaired the 2nd BRICS Finance Ministers and Central Bank Governors Meeting in 2017 in Shanghai. The meeting mainly discussed current global and BRICS countries' economic and financial developments, coordination under the G20 finance track, and BRICS financial cooperation.

20 Jun.

The PBC assisted MOF in operations supporting the market making of government bonds. This marked the official start of the supporting mechanism for government bond market making, which is expected to help improve the yield curve of government bonds.

21 Jun.

The PBC published the *Interim Measures for the Administration of Bond Market Connectivity between the Mainland and Hong Kong* in an attempt to protect the legal rights of domestic and overseas investors and maintain bond market order by regulating business activities in the bond market connectivity program.

25-26 Jun.

Zhou Xiaochuan, Governor of the PBC, attended the BIS All Governors' Meeting in Basel, Switzerland. Discussions at the meeting mainly covered such issues as the impact of high debts in the non-financial sector on monetary policy normalization, global spillover effects of policy normalization, and the challenges for central banks in unwinding balance sheet and policy responses.

29 Jun.

On behalf of CPC committees at all levels and all CPC members, 202 CPC representatives from all PBC institutions gathered in Beijing, and fully exercised their democratic right by electing 6 PBC representatives for the upcoming 19th National Congress of the CPC through anonymous voting.

30 Jun.

The MPC of the PBC had its second quarterly meeting in 2017 in Beijing.

The 9th work meeting of the Inter-ministerial Joint Conference on AML was held. Zhou Xiaochuan, convener of the Inter-ministerial Joint Conference on AML and Governor of the PBC attended the meeting and made important remarks. Yin Yong, Deputy Governor of the PBC delivered the work report.

July

3 Jul.

The PBC issued a circular on supporting the credit rating business by eligible domestic and overseas rating agencies in the interbank bond market to promote sound credit rating sector.

The bond market connectivity between the Mainland and Hong Kong, also known as the Bond Connect, was officially launched on a trial basis.

4 Jul.

Approved by the State Council, the quota under the RMB Qualified Foreign Institutional Investors (RQFIIs) scheme for Hong Kong was increased to RMB500 billion.

6 Jul.

The PBC and the Bank of Mongolia renewed the bilateral local currency swap agreement with the size of swap unchanged at RMB15 billion / Mongolian tugrik 5.4 trillion. The term of the swap line is three years.

7-8 Jul.

The 12th G20 Leaders' Summit was held in Hamburg, Germany. President Xi Jinping attended the Summit and delivered a series of speeches, accompanied by Zhou Xiaochuan, Governor of the PBC. The Summit discussed major financial topics such as global economic developments, growth framework, international financial architecture, strengthening cooperation with Africa and financial sector reform, and endorsed a number of documents including the Communiqué of the G20 Hamburg Summit and the Hamburg Action Plan.

17 Jul.

Zhou Xiaochuan, Secretary of the PBC Committee of the CPC and Governor of the PBC, presided over the meeting on expanding the PBC Committee, and conveyed the important remarks by the CPC General Secretary Xi Jinping and Premier Li Keqiang, as well as the concluding remarks by Vice Premier Ma Kai. The meeting mulled over measures to further study important remarks and implementation of important tasks.

18 Jul.

The PBC and the Central Bank of Argentina renewed the bilateral local currency swap agreement. The size of swap is RMB70 billion/ Argentine peso 175 billion with a term of three years.

19-22 Jul.

The first China-US Comprehensive Economic Dialogue was held in Washington D.C., the United States, co-chaired by Vice Premier Wang Yang and US Secretary of the Treasury Steven Mnuchin and Commerce Secretary Wilbur Ross. Yi Gang, Deputy Governor of the PBC attended the dialogue. Both sides held in-depth discussions with broad consensus on China-US trade and investment, the 100-day and 1-year economic cooperation plan, global economy and governance, macroeconomic policy, and financial sector.

21 Jul.

The PBC and the Swiss National Bank renewed the bilateral local currency swap agreement. The size of swap remained at RMB150 billion/ Swiss franc 21 billion with a term of three years.

August

11 Aug.

The trading of RMB and the Mongolian tugrik on regional interbank market was launched in Inner Mongolia Autonomous Region.

25 Aug.

The PBC held the first ceremony of pledging allegiance to the Constitution.

29 Aug.-1 Sep.

Zhang Xiaohui, Assistant Governor of the PBC, attended the third meeting of the China-Vietnam Working Group on Financial and Monetary Cooperation in Hanoi, Vietnam. Both sides discussed economic and financial developments in China and Vietnam, monetary policy, local currency settlement, financial market opening-up, and the capital injection into state-owned commercial banks in Vietnam.

31 Aug.

To guide the regulated and orderly development of interbank certificate of deposit (CD) market, the PBC issued a circular to stipulate that financial institutions cannot issue new CDs with maturities above 1 year (excluding 1 year), effective from 1 September, 2017.

September

3-5 Sep.

The 9th BRICS Summit was held in Xiamen. President Xi Jinping chaired the Summit and delivered a series of important remarks, accompanied by Zhou Xiaochuan, Governor of the PBC. Under the theme of "BRICS: Stronger Partnership for a Brighter Future", the Summit endorsed important documents like the BRICS Leaders Xiamen Declaration and witnessed a number of important outcomes in financial cooperation, such as the establishment of the BRICS Local Currency Bond Fund and the improvement of the Contingent Reserve Arrangement.

4 Sep.

The PBC and other six departments jointly promulgated the *Circular on Preventing the Financing Risk of Token Offering*, which clearly stipulates that financing through token offering is by nature an unauthorized illegal public financing, forbids all institutions and individuals from illegal financing through token offering, and alerts the general public of the potential risks of token offering and trading.

8 Sep.

The PBC issued the *Notice on Adjusting the Policy on Foreign Exchange Risk Reserve Ratio*, reducing it to zero, effective from 11 September, 2017.

The PBC removed the look-through regulation of the required reserves put aside on deposits in domestic correspondent banks by overseas RMB participating banks.

10-11 Sep.

Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the BIS in Basel, Switzerland. The meeting mainly discussed whether distribution effects are important for monetary policy, the opportunities and risks of big data for central bank economic forecasting and financial stability assessment, and how to apply big data when formulating monetary policy.

12-13 Sep.

Zhang Xiaohui, Assistant Governor of the PBC, attended the 18th meeting of the Financial Cooperation Subcommittee under the Committee for Regular Meetings between the Chinese and Russian prime ministers in Sochi, Russia. The meeting held in-depth discussions on issues such as promoting bilateral local currency settlement, deepening the cooperation among banks, and forging cooperation on payment system, financial markets, and insurance.

13 Sep.

The trading of RMB and the Cambodian riel on regional interbank market was launched in Guangxi Zhuang Autonomous Region.

18-19 Sep.

The Chinese delegation headed by Yin Yong, Deputy Governor of the PBC, attended the 8th China-US Seminar on AML/CFT in Washington D.C., the United States. Both sides exchanged views on trade-based money laundering and underground banks, FinTech and RegTech, regulation of certain non-financial sectors, and mutual assessments by the FATF.

27 Sep.

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

29-30 Sep.

Zhou Xiaochuan, Governor of the PBC, attended the 38th Meeting of Central Bank Governors Club of Central Asia, the Black Sea Region, and the Balkan Countries in Moscow, Russia. In-depth discussions were held on issues such as FinTech, regional economic and financial developments, and the potential implications of monetary policy normalization for member countries.

30 Sep.

The PBC announced the expansion of targeted RRR cuts for banks lending to small business, and agriculture, rural areas and farmers to all commercial banks that meet macro-prudential requirements with the share of financial inclusion loans reaching the required level, effective from 2018.

The Ministry of Housing and Urban-Rural Development, the PBC, and the CBRC jointly published the *Notice on Regulating Home Financing and Strengthening Anti-money Laundering*. This came as a move to protect the order of home finance market by forbidding non-compliance in home financing and enhancing AML supervision and regulation on real estate transactions, so as to promote steady and sound real estate market.

October

4-5 Oct.

Pan Gongsheng, Deputy Governor of the PBC, attended the 166th meeting of the BCBS in Basel, Switzerland. Major topics discussed included the reform plan of Basel III, the zero risk weight applied to the Asian Infrastructure Investment Bank (AIIB), the net stable funding ratio, and the assessment of regulatory consistency.

11 Oct.

The PBC and the Bank of Korea renewed the bilateral local currency swap agreement. The size of renewed swap facility is RMB360 billion / Korean won 64 trillion with a term of three years.

12-15 Oct.

Zhou Xiaochuan, Governor of the PBC, attended the IMF-World Bank Annual Meetings in Washington D.C., the United States. The meetings focused on issues such as global economic and financial developments and risks, and the development of financial technology. He also attended the 2nd G20 Finance Ministers and Central Bank Governors Meeting and the Group of Thirty (G30) International Banking Seminar.

26 Oct.

The PBC Committee of the CPC held a meeting on expanding the committee and group study. The meeting conveyed the decisions and requirements of the 19th National Congress of the CPC and the 1st Plenary Session of the 19th Central Committee of the CPC, carefully studied the major arrangements of the CPC Central Committee on economic and financial work, and laid out work plans for all PBC institutions to fully implement the decisions of the 19th National Congress of the CPC and the 1st Plenary Session of the 19th Central Committee of the CPC and to better fulfill central bank mandates in the new era.

27 Oct.

The PBC published the revised version of the *Measures for the Registration of Pledged Account Receivables*.

30-31 Oct.

Zhang Xiaohui, Assistant Governor of the PBC, accompanied Vice Premier Wang Yang to the 21st Meeting of the Committee for Regular Meetings between the Chinese and Russian prime ministers in Chongqing.

31 Oct.

In line with the *Regulations of the People's Bank of China on the Procedures for Administrative Penalty* and based on the need of work, the Committee on Administrative Penalty of the PBC was reshuffled. On the new committee, Liu Guoqiang, Assistant Governor and member of the PBC Committee of the CPC, is the head, Director-General (DG) or Deputy Director-General (DDG) of the Legal Affairs Department is the deputy, and members are the DG or DDG of Monetary Policy Department, Financial Markets Department, Financial Stability Bureau, Payment and Settlement Department, Currency, Gold and Silver Bureau, Credit Information Bureau, and AML Bureau.

November

3 Nov.

The PBC and the Qatar Central Bank renewed the bilateral local currency swap agreement. The size of renewed swap facility is RMB35 billion / Qatari riyal 20.8 billion with a term of three years.

8 Nov.

The PBC and the CBRC jointly issued the revised *Administrative Measures for Auto Loans* to further regulate auto loans. In the meantime, the *Notice on Adjusting Some Policies on Auto Loans* was released, which increased the upper limit of loans for brand new self-use and commercial renewable energy vehicles from 80 percent and 70 percent to 85 percent and 75 percent respectively, that for second-hand vehicles from 50 percent to 70 percent, and stepped up financial support for auto consumers.

The PBC and the Bank of Canada renewed the bilateral local currency swap agreement. The size of renewed swap facility is RMB200 billion / Canadian dollar 30 billion with a term of three years.

8-10 Nov.

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang in meeting with the visiting US President Donald Trump in Beijing.

9 Nov.

The theory-learning subcommittee of the PBC Committee of the CPC held the second thematic group study on the spirit of the 19th National Congress of the CPC.

The PBC and the SAFE organized a teleconference to mobilize all the PBC and the SAFE institutions to study, uphold, and carry out the essentials of the 19th CPC National Congress. Special sessions were held on interpreting the essentials of the 19th CPC National Congress.

12-13 Nov.

Yi Gang, Deputy Governor of the PBC, attended All Governors' Meeting of the BIS held in Basel, Switzerland, which mainly discussed central bank digital currency and monetary policy implementation, global external imbalance, and future challenges for international banking sector. After the meeting, Deputy Governor Yi Gang visited Frankfurt for the ECB policy communication meeting, followed by a trip to the French capital for the 5th Conference of the Paris Forum.

12-16 Nov.

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang to the Philippines for participation in the 20th ASEAN-China (10+1) Summit, the 20th ASEAN Plus China, Japan and Republic of Korea (10+3) Summit, and the 12th East Asia Summit.

17 Nov.

The PBC issued the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (Exposure Draft)* to seek public comments.

22 Nov.

The PBC and the Hong Kong Monetary Authority renewed the bilateral local currency swap agreement. The size of renewed swap facility is RMB400 billion / Hong Kong dollar 470 billion with a term of three years.

The PBC and the Central Bank of the Russian Federation renewed the bilateral local currency swap agreement. The swap size is RMB150 billion / Russian ruble 1 325 billion, and the term is three years.

27-30 Nov.

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang on an official visit to Hungary for the 6th Summit of China and Central and Eastern European Countries.

30 Nov.-1 Dec.

The 5th China-France High-Level Economic and Financial Dialogue was held in Beijing. Vice Premier Ma Kai and French Minister of the Economy and Finance Bruno Le Maire co-chaired the dialogue. Yi Gang, Deputy Governor of the PBC, gave his remarks during the dialogue as a member of the Chinese delegation. The dialogue was concluded with a total of 80 outcomes. In addition, the 4th China-France Financial Forum was held on 1 December in Beijing. Deputy Governor Yi Gang attended the event and delivered a speech.

30 Nov.-2 Dec.

Zhou Xiaochuan, Governor of the PBC, attended the 78th Plenary Meeting of the G30 in New York. The meeting discussed issues such as the global financial crisis at its 10th anniversary: lessons for the future, managing the monetary and financial trilemmas, and demographics and wages: implications for inequality over the long term.

December

1-2 Dec.

Yin Yong, Deputy Governor of the PBC, attended the 1st G20 Finance and Central Bank Deputies Meeting under the Argentina's presidency in Buenos Aires, Argentina. The meeting mainly discussed the 2018 work program, global economy and growth framework, future steps, infrastructure, international financial architecture, and financial reform.

11 Dec.

The first workshop on learning and implementing the essentials of the 19th CPC National Congress for DG-level PBC official was kicked off in Beijing.

11-12 Dec.

Yin Yong, Deputy Governor of the PBC, attended the 10+3 Finance and Central Bank Deputies Meeting in Asahikawa, Japan. Deputies exchanged views on global and regional economic and financial developments, with focus on reviewing the progress of regional financial cooperation, including the AMRO, CMIM, and ABMI.

13 Dec.

The PBC and the CSRC jointly issued the *Guidance on the Assessment and Certification of Green Bonds (Provisional)* to promote sustainable and sound green bond market by improving the assessment and certification arrangements.

14 Dec.

The PBC issued a circular to announce the adoption of new *Administrative Measures for Automatic Pledged Financing* starting from 29 January, 2018. The move was aimed at optimizing automatic pledging financing so as to give it a bigger role in increasing payment and settlement efficiency and ensuring safety.

15-16 Dec.

The 9th China-UK Economic and Financial Dialogue was held in London. Vice Premier Ma Kai and UK Chancellor of the Exchequer Philip Hammond co-chaired the dialogue. The PBC Governor Zhou Xiaochuan, and Deputy Governor Yi Gang attended the event. The dialogue was concluded with a total of 72 outcomes. Governor Zhou and Deputy Governor Chen Yulu also attended the first joint academic workshop between the PBC and the BOE.

19 Dec.

The PBC issued the *Notice on Promoting the Pledge of Credit Assets and Central Bank Internal (Corporate) Ratings* to expand the pledge of credit assets and central bank internal (corporate) ratings across China starting from 2018.

20 Dec.

The PBC, the CBRC, the CSRC, and the CIRC jointly published the *Opinions on Providing Financial Support to the Uphill Battle against Poverty in Deeply Impoverished Regions*, requiring new financial resources be first channeled to and new financial services first made available in deeply impoverished regions. This move was aimed at shoring up the poverty alleviation drive in areas facing dire poverty.

21 Dec.

Zhou Xiaochuan, Secretary of the PBC Committee of the CPC and Governor of the PBC, presided over the meeting on expanding the PBC Committee, and conveyed the decisions of the Central Economic Work Conference. The meeting studied the important remarks by the CPC General Secretary Xi Jinping and Premier Li Keqiang, and set down requirements for all the PBC institutions to put ideas into practice.

22 Dec.

The PBC and the Bank of Thailand renewed the bilateral local currency swap agreement. The size of renewed swap facility is RMB70 billion/Thai baht 370 billion with a term of three years.

27 Dec.

The General Office of the PBC approved the application by the China Foreign Exchange Trade System for introducing overseas banks to the regional trading on the interbank foreign exchange market.

The MPC of the PBC had its fourth quarterly meeting in Beijing.

29 Dec.

The PBC decided to introduce the Contingency Reserve Arrangement (CRA), under which commercial banks with a national presence that have met macro-prudential requirements and account for a larger share in cash injection may reduce their RRR by up to 200 basis points for 30 days in the face of temporary liquidity gaps around the Spring Festival of 2018.

The PBC, the CBRC, the CSRC, and the CIRC jointly published the *Notice on Regulating the Bond Transactions by Bond Market Players* in a bid to regulate bond market transactions by urging market players to tighten internal control and risk management.

The PBC issued the *Regulations on QR and Bar Code Payment (Trial).*

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2017

No.	Document Number	Title (Main Content)	Date
1	Decree [2017] No. 1	Interim Measures for the Administration of Mutual Bond Market Access between the Chinese Mainland and Hong Kong SAR	06.21
2	Decree [2017] No. 2	Revised Administrative Measures for Auto Loans	11.08
3	Decree [2017] No. 3	Revised Measures for the Registration of Pledged Account Receivables	10.27
4	Announcement [2017] No. 5	Announcement on Matters Concerning the Import and Export License for Gold and Gold Products	05.17
5	Announcement [2017] No. 7	Announcement on Matters Concerning Credit Rating Businesses Conducted by Credit Information Agencies in the Interbank Bond Market	07.03
6	Announcement [2017] No. 12	Announcement on Matters Concerning Improving Term Structure of Negotiable Certificates of Deposit	08.31
7	Announcement [2017] No. 18	Administrative Measures for Automatic Pledged Financing	12.14
8	Announcement [2017] No. 20	Guidance on Assessment and Certification of Green Bonds (Provisional)	12.13
9	Document [2017] No. 3	Notice on Matters Concerning Bank Account Administration Involved in the “Two-in-One License” Registration System Reform for Individual Businesses	01.06
10	Document [2017] No. 9	Notice on Matters Concerning Macro-prudential Management on Full Coverage of Cross-border Financing	01.13
11	Document [2017] No. 19	Notice on the Assessment of Financial Policies for Targeted Poverty Alleviation	01.23
12	Document [2017] No. 121	Guiding Opinions on Strengthening Security Management of Bankcard Acceptance Terminals	01.23
13	Document [2017] No. 41	Notice on Providing Financial Support for the Development of Trade in Services	02.21
14	Document [2017] No. 45	Guiding Opinions on Continuously Improving Quality of Acquiring Services and Regulating and Promoting Development of the Acquiring Service Market	02.21
15	Document [2017] No. 58	Guiding Opinions on Providing Financial Services for Transforming China into A Manufacturing power	03.07
16	Document [2017] No. 90	Notice on Improving Work Relating to the Administration of RMB Bank Accounts of Overseas Non-government Organizations’ Representative Offices	04.17
17	Document [2017] No. 98	Notice on Key Elements and Interpretations of Large-value and Suspicious Transaction Reports	04.20
18	Document [2017] No. 99	Notice on Requirements for Implementing the Administrative Measures for the Reporting of Suspicious Transactions by Financial Institutions	04.21
19	Document [2017] No. 104	Notice on Issuing the Action Plan for the Ad Hoc Campaign on Account Receivables Financing of Small- and Micro-Businesses (2017-2019)	05.02
20	Document [2017] No. 108	Notice on Issuing Guidelines for Responsible Institutions to Develop Standards for Anti-money Laundering Monitoring	05.03
21	Document [2017] No. 115	Notice on Issuing the Program for Developing the Financial Sector Standardization System (2016-2020)	05.09
22	Document [2017] No. 117	Notice on Strengthening Administration of Account Opening and Control Measures after Reporting Suspicious Transactions	05.23
23	Document [2017] No. 126	Notice on Issuing the Administrative Measures on Information Management System for the Cross-border RMB Payments and Receipts	05.23
24	Document [2017] No. 140	Notice on Issuing the Development Program of Information Technology in China’s Financial Sector during the 13th Five-year Plan Period	06.08
25	Document [2017] No. 147	Notice on Matters Concerning Usage of Deposit Insurance Logo	06.19
26	Document [2017] No. 165	Notice on Matters Concerning Strengthening Administration on Transactions of Electronic Commercial Bills	07.06
27	Document [2017] No. 166	Notice on Issuing the Industrial Standard Technical Specification for Authentication Capability of RMB Cash Authentication Machines	07.06
28	Document [2017] No. 182	Notice on Issuing the Industrial Standards for RMB Banknotes Not Suitable for Circulation	07.31
29	Document [2017] No. 187	Notice on Implementing Relevant Resolutions of the UN Security Council	08.08

No.	Document Number	Title (Main Content)	Date
30	Document [2017] No. 195	Guiding Opinions on Launching Overseas RMB Fund Business by Financial Institutions	08.16
31	Document [2017] No. 207	Notice on Adjusting the Foreign Exchange Reserve Requirement	09.08
32	Document [2017] No. 208	Notice on Enforcing Implementation of Standard and Security Management for Products with Payment Technologies	09.08
33	Document [2017] No. 218	Notice on Strengthening Anti-money Laundering and Countering Financing of Terrorism in Precious Metals Exchanges	09.26
34	Document [2017] No. 222	Notice on Targeted Reduction of the Required Reserve Ratio for Inclusive Finance	09.30
35	Document [2017] No. 235	Notice on Strengthening Client Identification for Anti-money Laundering	10.23
36	Document [2017] No. 247	Notice on Arrangements after the Administrative License Items of “Approval of the Packaging of RMB in Circulation” Cancelled	11.03
37	Document [2017] No. 261	Notice on Issuing Administrative Rules on Anti-money Laundering and Countering Financing of Terrorism by Social Organizations	11.22
38	Document [2017] No. 278	Notice on Issuing Rules for Due Diligence on Taxation-related Information of Non-Resident Financial Accounts in Deposit-taking Banking Financial Institutions	12.18
39	Document [2017] No. 281	Notice on Regulating Innovation of Payment Business	12.15
40	Document [2017] No. 286	Opinions on Providing Financial Support to the Uphill Battle against Poverty in Deeply Impoverishes Regions	12.20
41	Document [2017] No. 288	Guiding Opinions on Improving Services for Opening Corporate Accounts	12.21
42	Document [2017] No. 296	Notice on Issuing Regulations on QR and Bar Code Payment (Trial)	12.29
43	Document [2017] No. 300	Notice on Issuing Regulations on Data Interface Specifications for Onsite Anti-money Laundering Inspections on Banking Financial Institutions (Interim)	12.29
44	Document [2017] No. 301	Notice on Issuing Regulations on Data Interface Specifications for Onsite Anti-money Laundering Inspections on Non-bank Payment Institutions (Interim)	12.29
45	Document [2017] No. 302	Notice on Regulating Bond Transactions of Participants in the Bond Market	12.29
46	General Administration Department Document [2017] No. 10	Notice on Matters Concerning Centralized Depository of Clients' Reserves Collected by Payment Institutions	01.13
47	General Administration Department Document [2017] No. 21	Notice on Revising Classification Criteria for Non-bank Payment Institutions	01.26
48	General Administration Department Document [2017] No. 45	Notice on Printing and Issuing Operation Guidance on Transferring Part of the Clients' Reserves to the People's Bank of China by Payment Institutions	03.07
49	General Administration Department Document [2017] No. 90	Notice on Revising Statistical Metrics for the Development of Rural Payments Services	04.18
50	General Administration Department Document [2017] No. 110	Notice on Matters Concerning Strengthening Administration of Centralized Receipt and Payment Businesses through Bulk Electronic Payment System	05.17
51	General Administration Department Document [2017] No. 118	Notice on Improving Data Reporting Procedures of Interbank Business through the RMB Cross-border Payment and Receipt Information Management System	05.27
52	General Administration Department Document [2017] No. 120	Notice on Strengthening Security Management of Magnetic Strip Bankcard Transactions	06.01
53	General Administration Department Document [2017] No. 132	Notice on Issuing Administrative Rules on the Comprehensive Front Subsystem of the Central Bank Accounting Data Centralized System	06.22
54	General Administration Department Document [2017] No. 164	Notice on Strengthening Administration of User Information Inquiry through Credit Reference Systems	08.03
55	General Administration Department Document [2017] No. 170	Notice on Issuing Technical Criteria on the Third-generation Social Security Card with Financial Functions	08.14
56	General Administration Department Document [2017] No. 242	Notice on Strengthening Security Management of QR Code Payment	12.25
57	General Administration Department Document [2017] No. 248	Notice on Adjusting the Proportion of Centralized Depository of Clients' Reserves by Payment Institutions	12.29