



The International Conference "The Role of the Financial Sector in Promoting Economic Growth in Asia"
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The Current State of the Financial Sector and the Regulatory Framework in China

Comments

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Abbreviations

ABC	Agriculture Bank of China
BOC	Bank of China
BCOM	Bank of Communication
CCB	China Construction Bank
ICBC	Industrial & Commercial Bank of China
NSIB	Non-Systematically Important Banks
RRR	Reserve Requirement Ratio
SIB	Systematically Important Banks

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COMMENTS

Brief Discussion on GFC

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Fiscal stimulus:-

- a) Large infrastructure spending
- b) Greater tax reliefs

Monetary laxity:-

- a) Lowering of IR, RRR
- b) Lifting of credit limits;
- c) Removal of property restrictions

Competitive exchange rate:-

- a) Pegging RMB/USD at 6.80

The Rocky Road Ahead ...

- Uncertainties from
 - Poor U.S. labor market prospects
 - Sovereign debt issues in E.Z.
- China's exit strategies
 - Shift towards more prudent policies
 - ❖ Rising inflation; asset bubbles
 - Increase share of private consumption to GDP
 - Financial & regulatory reform

Appraised Efforts of G20 in ...

- Promoting active global policy dialogues
- Cultivate participation of emerging economies in global decision-making process
 - FSB; BCBS

...cont'd

- Making reform initiatives
 - Basel III
 - ❖ China intends to use guidelines
 - ❖ More stringent; faster pace
 - ❖ Country-specific tools – new provision ratio (2.5%);
 - ❖ Heterogeneous treatment (SIB vs. NSIB)
- The need to “harmonize” different regulatory policies across-border

QUESTIONS

Q1 – How does CBRC determine when credit growth is excessive?

SIB (ABC, BOC, BCOM, CCB, ICBC)

8.0%	Min CAR
+2.5%	Buffer
+1.0%	SIB
11.5%	Normal credit conditions; By end-2013
+2.5%	
14.0%	Excessive credit growth

NSIB (others)

8.0%	Min CAR
+2.5%	Buffer
10.5%	Normal credit conditions; By end-2016
+2.5%	
13.0%	Excessive credit growth

Q2 – Does this rule apply for “rural” banks? If not, why?

Stricter on lending from 2011, with monthly monitoring of banks ...

Q3) What are the advantages of a **dynamic RRR adjustment scheme** on (SIB, NSIB, “rural” banks) compared to loan quota?

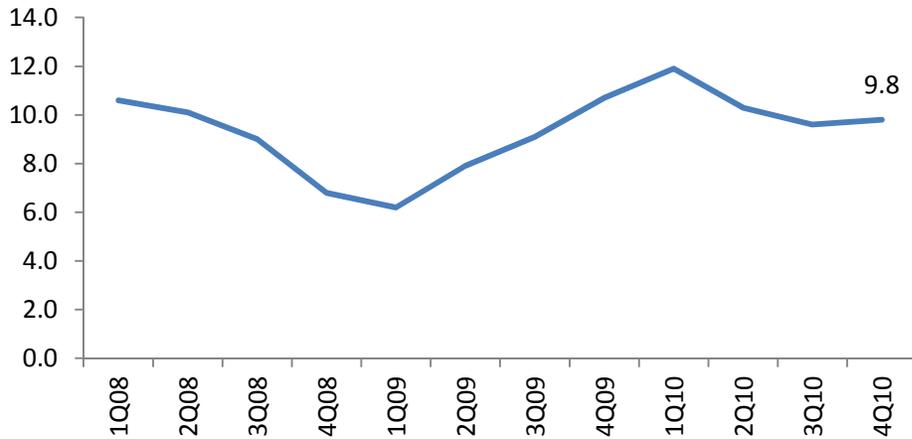
- ✓ How to calculate different RRR?***
- ✓ What is the role of different RRR in the presence of Basel III?***
- ✓ Any repercussions on loan growth or economic growth in general?***

THANK YOU

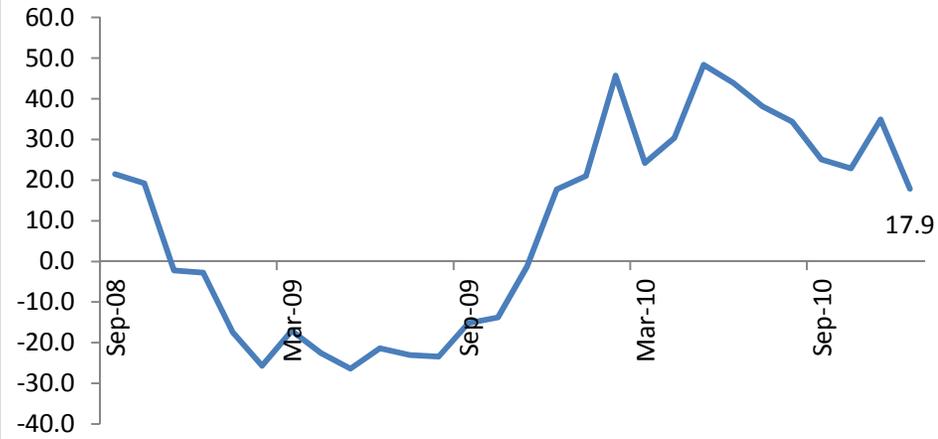
APPENDICES

Summary Indicators

Real Gross Domestic Product
Year-on-year percentage change

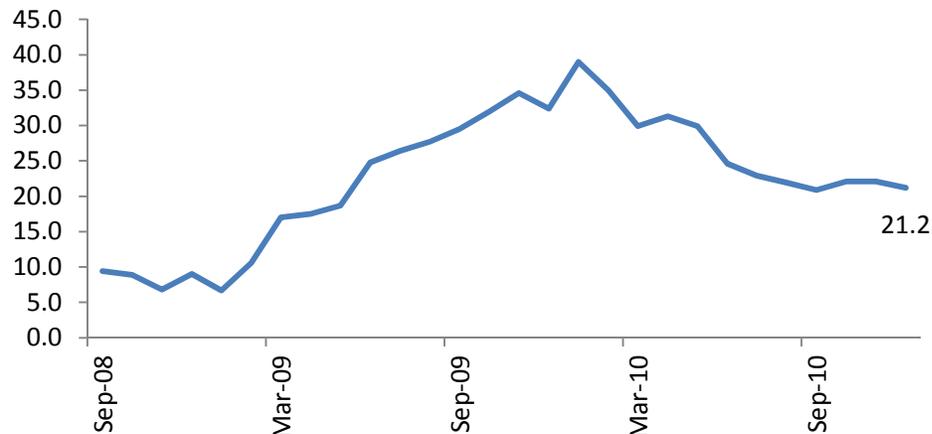


Gross Exports
Year-on-year percentage change

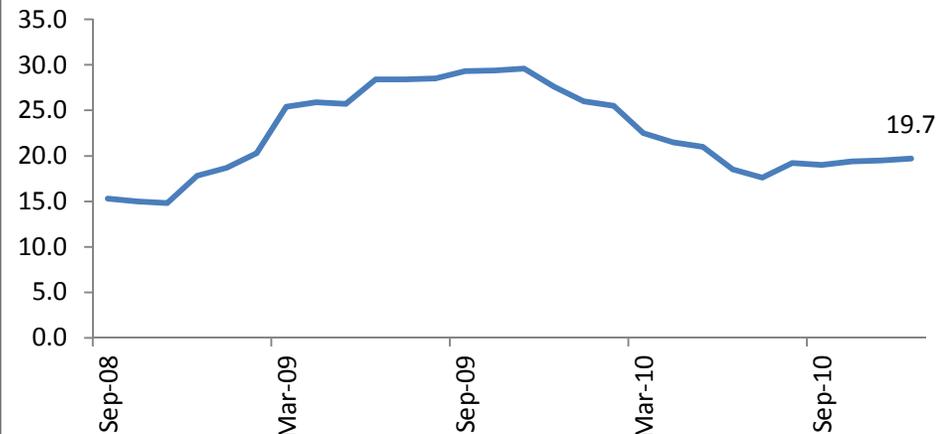


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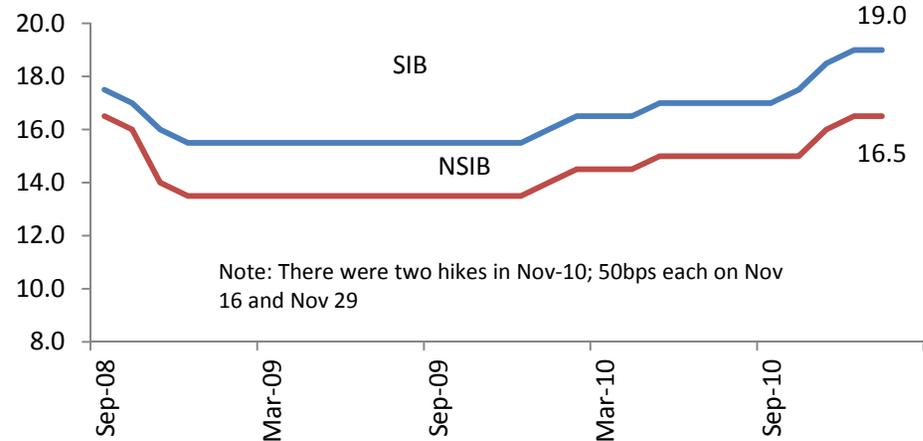
M1
Year-on-year percentage change



M2
Year-on-year percentage change)



Reserve Requirement Ratio (RRR)
Percent, eop



PBOC 1-year Lending Rate
Percent, eop

