



# Overview of China's regulatory organisational structure and process

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# Key financial organisations and their remit

Organisation	Remit
Ministry of Finance	Administration of macroeconomic policies, the national budget and fiscal policy
National Development and Reform Commission (NDRC)	Macroeconomic management
People's Bank of China (PBC)	Regulation of the money markets and interest rates, together with other aspects of monetary policy
China Banking Regulatory Commission (CBRC)	Regulation of the banking sector
China Securities Regulatory Commission (CSRC)	Regulation of the securities market
China Insurance Regulatory Commission (CIRC)	Regulation of the insurance sector

# Ministry of Finance

## Main Responsibilities

- (i) Administers macroeconomic policies and the national annual budget
- (ii) Handles fiscal policy, economic regulations and government expenditure for the state
- (iii) Publishes annual macroeconomic data on China's economy

**Current Minister:** XIE Xuren

**The Ministry of Finance's remit is smaller than its counterparts in many other states.**

- Macroeconomic management is primarily handled by the National Development and Reform Commission.
- State-owned industries are the responsibility of the State-owned Assets Supervision and Administration Commission.
- Separate regulators for banking, insurance and securities.
- Regulation of the money markets or interest rates, together with other aspects of monetary policy, are governed by the People's Bank of China, China's central bank.
- The Ministry, NDRC and PBC are equal in status, with their political heads all sitting on the State Council.

# Ministry of Finance's main functions

Main Function	Description
Economic and public finance policies	Formulating and implementing strategies, policies and guidelines for economic development, public finance for government revenue sharing between the central and provincial governments
Administration of public finance and external debt	Drafting laws and regulations on public finance, financial, accounting management, external finance and debts
Annual budget for Central People's Government	Preparing the annual budget of the central government, priority spending and balancing the budget
Revenue and tax legislation reforms	Proposing tax legislation plans - reviewing proposals on tax legislation and tax revenue regulations
Central People's Government expenditure	Administering the central expenditures - procurement, expenses
Government revenue distribution	Formulating and implementing the policy of distribution between the state and government owned enterprises
Accounting regulations	Formulating and implementing accounting regulations - for government and private corporations and promoting accountability and transparency
Fiscal and tax policies	Monitoring the implementation of fiscal and tax policies - laws and regulations, examining problems with the system and making changes

# China's Fiscal system in China

The fiscal system in China is characterised by the sharing of tax revenues between the central government and local governments. According to their respective responsibilities, the central government is responsible mainly for expenditures for national defence, foreign affairs, and the operation of central government agencies, as well as expenditures for economic restructuring, development coordination among regions and macroeconomic adjustment. On the other hand, local governments are mainly responsible for expenses concerning the operation of government agencies under their respective jurisdictions, as well as expenditure for economic and social development in their regions.

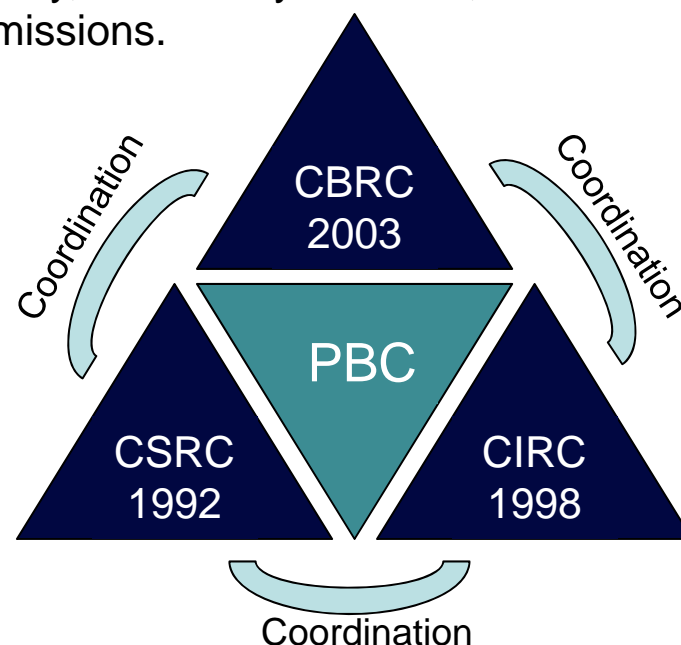
The central government returns part of its tax revenue to local governments based on the growth in local government value-added taxes and consumption tax. The central government provides assistance in the form of fiscal transfers to less developed regions and regions inhabited by ethnic minorities.

The following tax revenues are shared between the central and local governments:

- **Domestic VAT:** 75% for central government and 25% for local governments.
- **Income tax:** 60% for central government and 40% for local governments.
- **Resource tax:** tax paid by offshore oil enterprises goes to the central government, and the rest goes to the local governments.
- **Stamp tax revenue collected on stock transactions:** 97% goes to the central government, the remaining 3% goes to local governments.

# Overview of China's financial regulatory supervisors

Since 2003, China has divided financial supervision into three specialist commissions, China Banking Regulatory Commission\*, China Securities Regulatory Commission and China Insurance Regulatory Commission, authorised by the State Council to regulate the banking, securities and insurance sector. The PBC is responsible for the coordination of these three separate commissions. Since 14 August 2008, a joint conference is held quarterly, headed by the PBS, to enhance communication between the three specialist commissions.



\*Note: To ensure the independence of monetary policy, China Banking Regulatory Commission was established in 2003, by separating the function of bank supervisor apart from the People's Bank of China.

# Overview of China's financial regulatory supervisors (cont...)

To ensure efficient implementation of regulations in different regions, PBC, CBRC, CSRC and CIRC all have regional offices located in every province. These regional offices are authorised by the head office to implement responsibilities prescribed by the head office and achieve harmonious development. The head office is responsible for drawing up uniform rules, which are accommodated by regional offices according to different situations in the region, in some cases, permissions from the head office are needed by the regional offices to make amendments to any rules.

## Number of branches of regulatory organizations (January 2010)

Organisation	Branch Number
People's Bank of China – PBC	9
China Banking Regulatory Commission - CBRC	36
China Securities Regulatory Commission - CSRC	36
China Insurance Regulatory Commission - CIRC	35

# PBC

## Main Functions

The PBC is the central bank of China and its main functions are to:

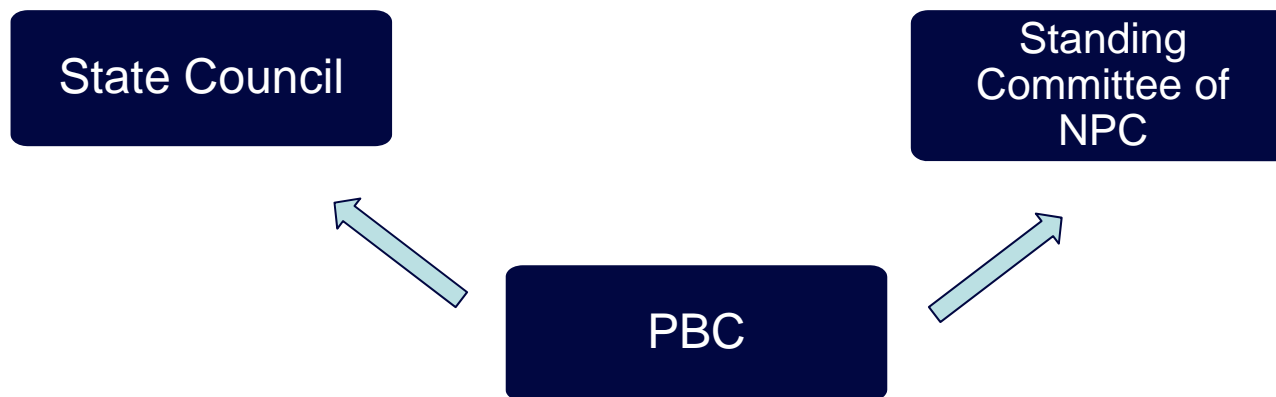
- (i) control monetary policy; and
- (ii) regulate financial institutions.

## Current Governor: ZHOU Xiaochuan

The Governor of the PBC is nominated by the Premier, and is also a member of the State Council.

## Report Process

The PBC must report to the State Council its decisions concerning the annual money supply, interest rates and exchange rates for approval. The PBC is also obliged to submit work reports to the Standing Committee of the National People's Congress (NPC) on the conduct of monetary policy and the performance of the financial industry.



# PBC's main functional departments

Department	Responsibility
Monetary Policy Department	Responsible for setting the intermediate target of monetary policy and coordinating efforts to achieve the target
Financial Market Department	<ul style="list-style-type: none"> <li>• Responsible for formulating administrative rules on the inter-bank lending market, inter-bank bond market, inter-bank foreign exchange market and gold market</li> <li>• Reviewing and approving financial institutions' applications to access and exit these markets</li> <li>• Monitoring and analysing financial market developments and preventing cross-market risks</li> <li>• Formulating and implementing overall credit policy</li> </ul>
Financial Stability Bureau	<ul style="list-style-type: none"> <li>• Responsible for coordination of development of banking, securities and insurance industries</li> <li>• Assessing systemic risks, and proposing and implementing policy measures to prevent and resolve systemic financial risks</li> <li>• Conducting re-examination on institutions that receive lender-of-last-resort support from the central bank, and participating in the liquidation or restructuring of relevant institutions</li> </ul>
Credit Information System Bureau	<ul style="list-style-type: none"> <li>• Responsible for managing credit information system</li> <li>• Setting development plans and administrative rules for credit information collection and relevant risk evaluation standards</li> </ul>

## PBC's main functional departments (cont...)

Department	Responsibility
Anti-Money Laundering Bureau	<ul style="list-style-type: none"> <li>•Responsible for anti-money laundering activities in the PBC</li> <li>•Engaging in international cooperation on anti-money laundering</li> <li>•Analyzing information on suspicious payment transactions in RMB or foreign currencies</li> </ul>
Legal Affairs Department	<ul style="list-style-type: none"> <li>•Responsible for drafting financial laws and regulations related to the functions of the central bank</li> <li>•Providing financial legal advisory services, handling relevant financial legal affairs and promoting public awareness of financial laws</li> <li>•Handling administrative appeals and responding to legal complaints against the PBC</li> </ul>
Graduate School of the People's Bank of China	<ul style="list-style-type: none"> <li>•An institution directly under PBC</li> <li>•Responsible for cultivating Ph.D. candidates and master's degree candidates who will work on the development of China's finance and training and education officers</li> </ul>
People's Bank of China Training Centre	<ul style="list-style-type: none"> <li>•Responsible for the training and education of officers</li> <li>•Engaging in international cooperation in training projects</li> <li>•Designing training schemes specified by State Council</li> </ul>

# CBRC

## Main Functions

- Formulate supervisory rules and regulations
- Authorise the establishment, changes, termination and business scope of the banking institutions
- Conduct on-site examination and off-site surveillance, and take enforcement actions against rule-breaking behaviours
- Conduct fit-and-proper tests on the senior managerial personnel of the banking institutions
- Provide proposals on the resolution of problem deposit-taking institutions
- Responsible for the administration of the supervisory boards of the major State-owned banking institutions

## Supervisory Focus

- Conduct consolidated supervision to assess, monitor and mitigate the overall risks of each banking institution as a legal entity

## Chairman

LIU Mingkang

## CBRC's main functional departments

Department	Responsibility
Banking Supervision Department I	Oversee state-owned commercial banks
Banking Supervision Department II	Oversee joint-stock commercial banks, city commercial banks and city credit unions
Banking Supervision Department III	Oversee foreign banks, policy banks and postal savings institutions
Cooperative Finance Supervision Department	Oversee rural credit cooperatives and rural commercial banks
Non-bank Financial Institutions Supervision Department	Oversee trust and investment corporations, finance companies and other non-bank financial institutions
Supervisory Rules & Regulations Department	Research bureau
Training Centre	Training and educating officers

## CBRC rules and regulations published since crisis

	CBRC Rules and regulations	Purposes
24 Dec 2009	Guidelines on the Validation of Advanced Capital Measurement	To promote the implementation of Basel II, strengthen the risk management of commercial banks
24 Dec 2009	Guidelines on the Risk Management of Bank Account Interest Rate of Commercial Banks	To further strengthen the risk management of bank account interest rate, foster the establishment of a comprehensive risk management system of commercial banks and promote the implementation of the New Basel Capital Accord in China
16 Dec 2009	Guidelines for the Information Disclosure of Commercial Banks' Capital Adequacy Ratio	Issued to propel the implementation of the new Basel Capital Accord among domestic commercial banks, further regulate the information disclosure of the capital adequacy ratio
29 Oct 2009	Guideline on Liquidity Risk Management of Commercial Banks	Formulated to strengthen the liquidity risk management for commercial banks and safeguard the safe and sound operation of commercial banks

# CBRC rules and regulations published since crisis (cont...)

	CBRC Rules and regulations	Purposes
25 Aug 2009	Guidance on Commercial Banks' Management of Reputational Risks	For the purpose of guiding commercial banks to carry out effective management of reputational risks, improve the comprehensive risk management system, and maintain the market confidence and financial stability
31 Jul 2009	Notice on Further Strengthening the Risk Management of Derivative Product Transactions between Banking Financial Institutions and Institutional Clients	To further regulate the management of derivative product transactions between banking financial institutions and their institutional clients, effectively prevent the risks and promote the healthy development of the derivative product business
01 Oct 2008	Guidelines for the Supervision of the Internal Rating System for Credit Risk of Commercial Banks	Formulated for the purposes of regulating the development and operation of the internal rating system of commercial banks, encouraging commercial banks to improve their credit risk management and ensure their safe and steady operation
01 Oct 2008	Guidelines on the Categorisation of Banking Book Credit Risk Exposures of Commercial Banks	Formulated to guide the categorisation of banking book credit risk exposures of commercial banks, so as to enhance their credit risk management

# CSRC

China's Securities Law (passed December 1998, effective 1 July 1999) grants CSRC authority to implement a centralised and unified regulation of the nationwide securities market. CSRC is empowered to regulate and supervise securities issuers, as well as to investigate, and impose penalties for illegal activities related to securities and futures. Its functions are similar to that of the Securities and Exchange Commission in the United States.

## Main Responsibilities

- Formulating policies, laws and regulations concerning markets in securities and futures contracts.
- Overseeing issuing, trading, custody and settlement of equity shares, bonds, investment funds.
- Supervising listing, trading and settlement of futures contracts; futures exchanges; securities and futures firms.

## Chairman

SHANG Fulin

# CSRC's organisational structure

Department	Responsibility
Department of Public Offering Supervision	Drawing up regulations and detailed implementation rules on domestic public offering; examining the qualification of subject companies' public offering and supervising their public offering activities
Department of Market Supervision	Drawing up regulations and detailed implementation rules in terms of the transaction, liquidation, registration and depository of securities under the supervision (excluding the unlisted treasury bonds and corporate bonds); examining the founding of institutions in charge of securities transaction, liquidation, registration and depository, and supervise the business activities of such institutions
Department of Intermediary Supervision	Drafting regulations regarding the supervision of securities institutions and investment consulting agencies; examining the establishment of securities institutions and investment consulting agencies and supervising their business activities; examining the qualifications for senior executives serving the securities institutions and investment consulting agencies and supervising the business activities of such executives
Department of Listed Company Supervision	Drafting regulations regarding the supervision of listed companies and organising inspection on the implementation of such regulations and rules; conducting special research on important issues relating to policies in connection with listed companies; taking charge of the training on securities knowledge for directors and supervisors of the listed companies

# CSRC's organisational structure

Department	Responsibility
Department of Investment Fund Supervision	Drafting regulations and detailed rules regarding the supervision of securities investment funds; examining securities investment funds, the establishment of securities investment fund management companies and supervising the business operations carried out by such companies; jointly reviewing the qualification for fund custodian business of the institutions engaged in the custody of securities investment funds and supervising their fund custodian business
Department of Futures Supervision	Drawing up regulations and detailed rules regarding the supervision over futures markets; examining the establishment, constitution, business rules and listed futures contracts of futures exchanges and supervising their business activities; examining the establishment of futures operating institutions, futures settlement institutions, and futures investment consulting institutions, as well as the their qualifications for futures business, and supervising their business activities
Enforcement Bureau	Taking charge of the administrative and secretarial affairs inside the Bureau, the comprehensive coordination and other related work; organising the drafting of the working rules and detailed implementation rules on the investigation of cases in violation of laws and regulations occurring on securities and futures markets; bearing the liability for reexamining cases of the Bureau

# CIRC

The China Insurance Regulatory Commission (CIRC) is an agency of China authorised by the State Council to regulate the Chinese insurance products and services market and maintain legal and stable operations of insurance industry.

## Main Functions

- Create laws, rules and regulations to supervise the industry
- Approve and examine incorporation of insurance entities, merge, split, change or dissolve
- Accreditation, regulate the hiring of senior managers in various insurance companies
- Regulate premiums, new insurance products and categories
- Ensure payment ability, insurance deposit, insurance guarantee fund
- Regulate self-insurance and mutual insurance, insurance trade associations
- Investigate and punish unfair competition and illegal conduct, non-compliance of registration
- Regulate overseas operations of domestic insurance firms
- Create standards for risk, forecast, profitability and report to the PBC

## Chairman

WU Dingfu

# CIRC's main functions

Main Function	Description
Formulate policies for developing the insurance industry	Create laws, rules and regulations to supervise the industry
Scrutinise and approve incorporation of insurance companies, subsidiaries, insurance holding companies	Approve and examine incorporation of insurance entities (including any merger, change or dissolution)
Examine and approve the qualifications of managers of various insurance companies	Accredit and regulate the hiring of senior managers in various insurance companies
Pricing regulation, insurance schemes	Regulate premiums, new insurance products and categories
Supervise the financial health of insurance companies	Ensure payment ability, insurance deposit, insurance guarantee fund
Supervise policy-oriented insurance and compulsory insurance	Regulate self-insurance and mutual insurance, insurance trade associations
Supervise fair competition in industry	To investigate and punish unfair competition and illegal conduct or non-compliance of registration
Supervise insurance companies with overseas operations	Regulate overseas operations of domestic insurance firms
Create framework for insurance industry for information, risk, forecast, supervision	Create standards for risk, forecast, profitability and report to the PBC

# CIRC's organizational structure

Department	Responsibility
Property Insurance Regulatory Department	Drafting regulations for the supervision over property insurance companies; deciding property insurance actuarial methodology; examining property insurance companies' asset quality and insurance pay ability
Personal Insurance Regulatory Department	Drafting regulations for the supervision over personal insurance companies; deciding personal insurance actuarial methodology; examining personal insurance companies' asset quality and insurance pay ability
Insurance Intermediaries Regulatory Department	Drafting regulations for insurance intermediary companies; investigating cases in violation of laws and regulations; examining the establishment of insurance intermediary companies
Insurance Fund Management Regulatory Department	Drafting regulations for the insurance fund management industry; establishing risk assessment and warning systems for insurance fund management; investigating cases in violation of laws and regulations; examining the qualifications for senior executives serving in the insurance fund management industry

# Background of China's banks

China's first commercial banks were five large state-owned enterprises:

- Industrial and Commercial Bank of China (ICBC)
- China Construction Bank (CCB)
- Agricultural Bank of China (ABC)
- Bank of China (BOC)
- Bank of Communications (BOCOM)

The banking industry has now liberalised considerably. Four out of the five state-owned banks have been converted into joint companies, in which the state is the majority shareholder. PRC law permits foreign investors to set up wholly foreign-owned commercial banks. The foreign investor must itself be a bank which has had a representative office in China for at least two years, and which has minimum of \$10bn as of the most recent complete year. Chinese law requires that banks maintain a minimum capital adequacy ratio of not lower than 8%. Banks are also subject to restrictions on bad assets, affiliated transactions and money laundering prevention.

# Main Businesses of China's banks

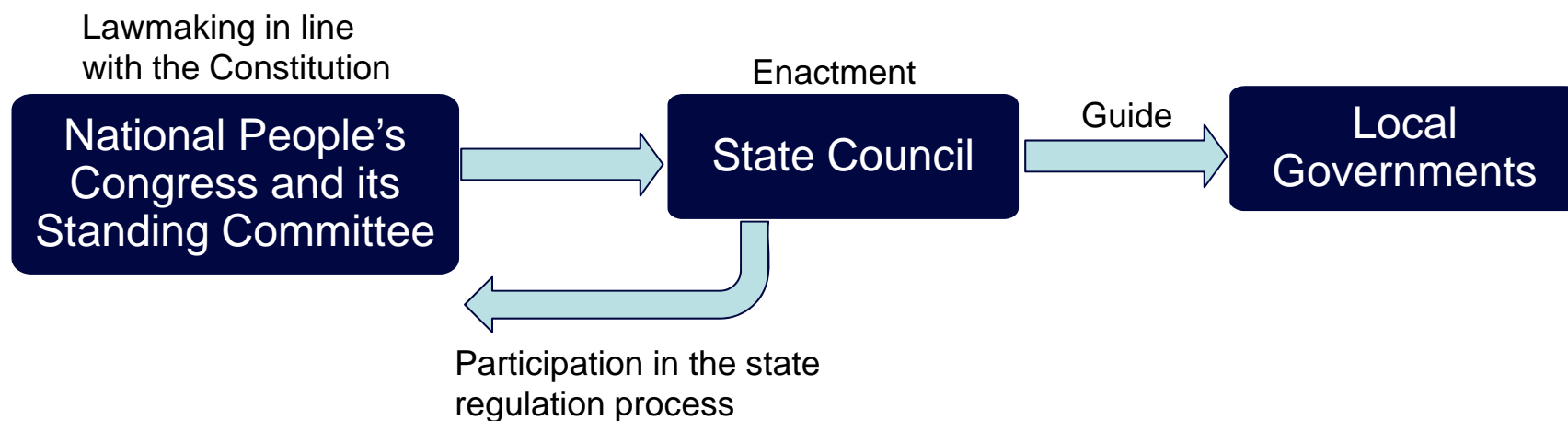
Generally, China's banks cover businesses such as commercial banking, investment banking and insurance, mainly engaged in commercial banking including corporate and retail banking, treasury business and financial institutions banking.

- Corporate banking is built upon credit products, to provide customers with personalised and innovative financial services as well as financing and financial solutions.
- Retail banking focuses on providing individual customers with such services as savings deposit, consumer credit bankcards and wealth management businesses.
- Treasury business includes domestic and foreign-currency trading and investment, fund management, wealth management, value-secured debt business, domestic and overseas financing and other fund operation and management services.
- Financial institution banking refers to services offered to banks, securities brokerages, fund companies and insurance companies worldwide ranging from clearing, inter-bank lending to agent and custodian services.

Investment banking is an emerging business, basically including restructuring and M&A, banking syndicate loan management, direct investment and private equity, asset securitisation, credit assets transfer, corporate short-term financing bond management, etc.

# Creation of regulations by the State Council

- Regulations enacted by the State Council are subordinate to lawmaking by the National People's Congress and its Standing Committee.
- Regulations of the State Council should be based on the Constitution.
- The State Council guides local governments in their formulation of local rules and regulations and enactment.
- The local rules and regulations of local governments need to be in line with the rules and regulations administered by the State Council.
- While developing and amending the administrative rules and regulations, the State Council participates in the state regulation process by submitting drafts of laws to the state legislative body, completing the design of regulations as authorised by the state legislative organ, and supervising the work involved in the administration of rules and regulations.



# Appendix - Biographies

# Ministry of Finance's management



## Minister [XIE Xuren](#)

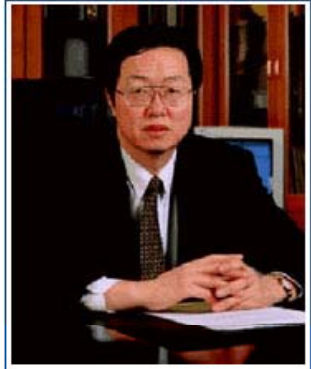
Vice Minister ZHU Zhigang

General Inspector HE Bangjing

(and other 5 vice ministers and 4 assistant ministers)

- XIE Xuren (born October 1947 in Ningbo, Zhejiang), is the current Minister of Finance of People's Republic of China, and former Director-General of the State Administration of Taxation. He's also a member of the 17th CPC Central Committee.
- 2003-2007 Minister of and Secretary of CPC Leading Group of State Administration of Taxation
- 2001-2003 Deputy Commissioner and Deputy Secretary of CPC Leading Group of State Economic and Trade Commission
- 2000-2001 Deputy Secretary of the CPC Central Financial Working Committee
- 1998-2000 President and Secretary of CPC Committee of Agricultural Development Bank of China
- 1995-1998 Vice Minister and Member the CPC Leading Group of MOF

# PBC's management



The current Governor is [ZHOU Xiaochuan](#).

The Governor of the People's Bank of China is nominated by the Premier, and is also member of the State Council and Central Committee of the Communist Party of China.

- Born in 1948
- January 2003 Chairman, Monetary Policy Committee of the People's Bank of China
- December 2002 Governor, People's Bank of China (PBC)
- February 2000 Chairman, China Securities Regulatory Commission
- February 1998 President, China Construction Bank
- October 1996 - February 1998 Deputy Governor of PBC and Administrator of the State Administration of Foreign Exchange
- October 1995 Administrator, State Administration of Foreign Exchange
- September 1994 - September 1995 Vice President, Bank of China
- December 1986 - December 1989 Assistant Minister, Ministry of Foreign Trade & Economics Cooperation
- November 1986 - September 1991 Member of the State Economic System Restructuring Committee

# CBRC's management



## Chairman [Liu Mingkang](#)

Mr. Liu Mingkang took office as Chairman of the China Banking Regulatory Commission (CBRC) in March 2003.

He currently also serves as Chairman of the International Advisory Council of the CBRC, a member of the Monetary Policy Committee of the People's Bank of China, and a member of the 17th Central Committee of the Communist Party of China.

- Before heading the CBRC, Mr. Liu held various positions in both banking institutions and government agencies, including, among others, Chairman and President of Bank of China (BOC) (February 2000 - March 2003)
- Chairman of China Everbright Group (July 1999 - June 2000)
- Deputy Governor of the People's Bank of China (March 1998 - July 1999)
- Deputy Governor of China Development Bank (January 1994 - March 1998)
- Deputy Governor of Fujian province and Secretary-in-general of Fujian provincial government (January 1993 - January 1994).

# CSRC's management



## Chairman SHANG Fulin

Dr. Shang has been the Chairman of CSRC and a member of Monetary Policy Committee of the PBC since December 2002.

Dr. Shang has had a successful and prominent career in China's central bank and commercial bank for many years before presiding over CSRC:

- 1973 he joined the PBC - through the ranks and served successively as deputy division chief, division chief, deputy director and director of the Planning and Budgeting Department (now Monetary Policy Department).
- 1994 and 1996 promoted to the positions of Assistant Governor and Deputy Governor of PBC in 1994 and 1996, respectively.
- From 1996 to 1999, he was in charge of the operation of monetary policy making and led the design and construction of the clearing and settlement system.
- From 1998 to 2000, he headed China's nation-wide taskforce to solve the Y2K problems of the banking industry and his effective leadership was widely lauded for the successful completion of the Y2K task.

# CIRC's management



## Chairman Wu Dingfu

He developed his career as an auditing and financial oversight official, ultimately serving as the secretary general of the Chinese Communist Party (CCP) Central Commission for Discipline Inspection (CCDI).

- October 1995, was appointed a party member of the central-level National Auditing Bureau. He was also appointed head of the inspection office of the CCP CCDI office within the National Auditing Bureau.
- From November 1998 to January 2000, served as a CIRC executive vice chair (rank of vice minister). Next, he became executive commissioner and secretary general of the CCP CCDI.
- October 2002, returned to CIRC as chair.
- March 2003, assumed the rank of minister when CIRC was upgraded to a ministry-level agency.

Wu was also appointed an alternate member of the 16th and 17th CCP central committees.



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