

# Prudential Supervision over Chinese Banking Sector

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# Outline

- Opening-up and Reform of Chinese Banking Sector
- Prudential Supervision over China's Banking Sector
- The latest development of China's Banking system
- Conclusions

# I. Opening-up and Reform of Chinese Banking Sector

- Opening-up of Chinese banking institutions
  - Development of foreign banking institutions in China
- Strategic transformation of Chinese banks
  - Large commercial banks

# Prudential Supervision over Chinese Banking Sector

- Development of international financial regulatory reforms
- Implementation of global financial regulatory reform in China

# Development of international financial regulatory reforms

- Basel III
- G-SIFI
- Macro-prudential Policy

# Implementation of global financial regulatory reform in China

- Basel III
  - Regulation on Capital Management of Commercial Banks
  - Regulation on Liquidity Risk Management of Commercial Banks,
  - Regulation on Leverage Management of Commercial Banks
  - Regulation on Loan Loss Provisioning of Commercial Banks

# Implementation of global financial regulatory reform in China

- G-SIFI
  - The constraining effect of capital has been strengthened
  - Consolidated supervision has been improved
  - Cross-border supervisory cooperation and communication has been enhanced
  - Draft of D-SIFI framework is underway

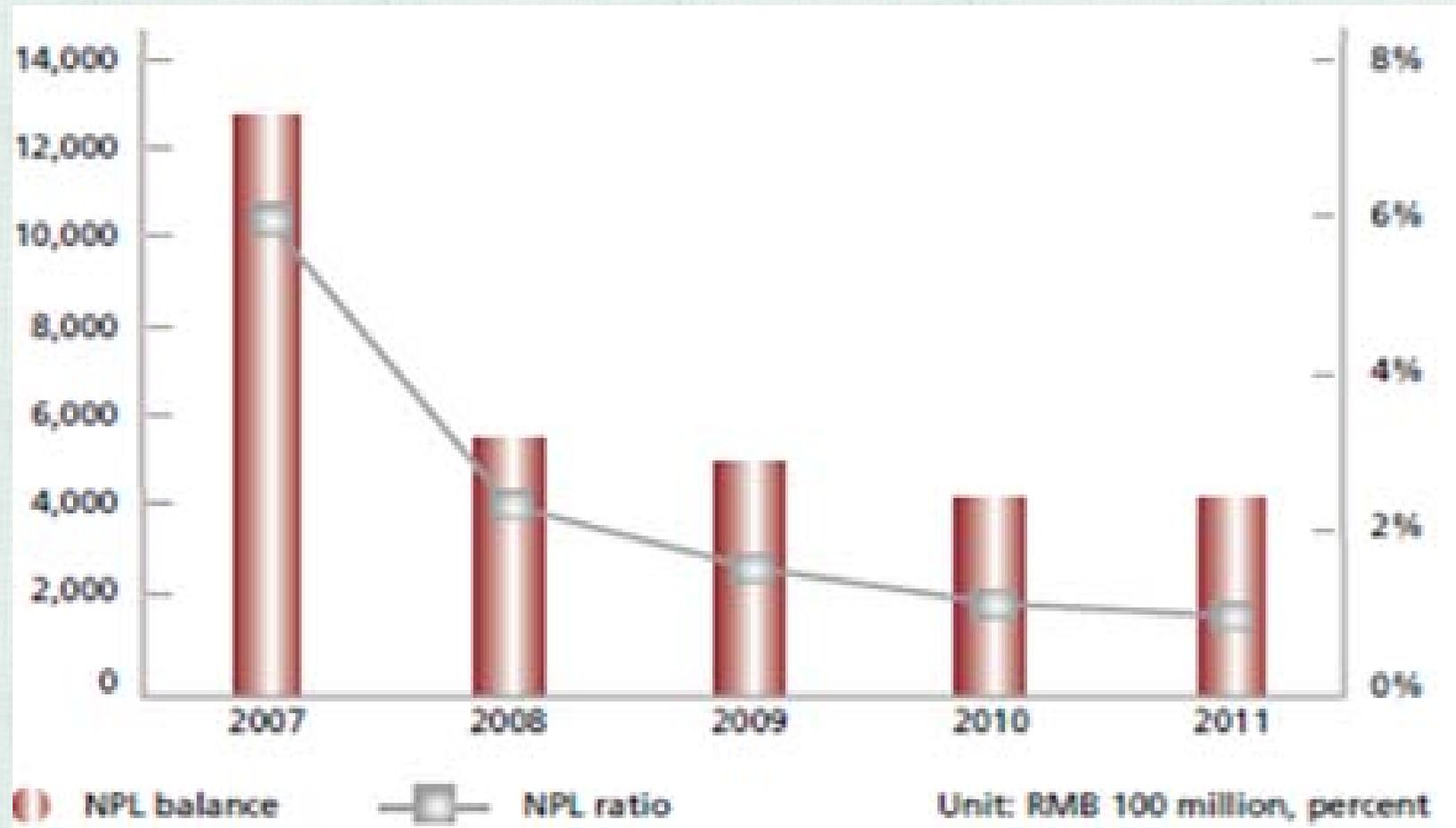
# Implementation of global financial regulatory reform in China

- Macro-prudential Policy Framework
  - The 12<sup>th</sup> Five Year Plan
  - Dynamic adjustment of differentiated reserve requirement
  - Differentiated dynamic adjustment mechanism to be improved

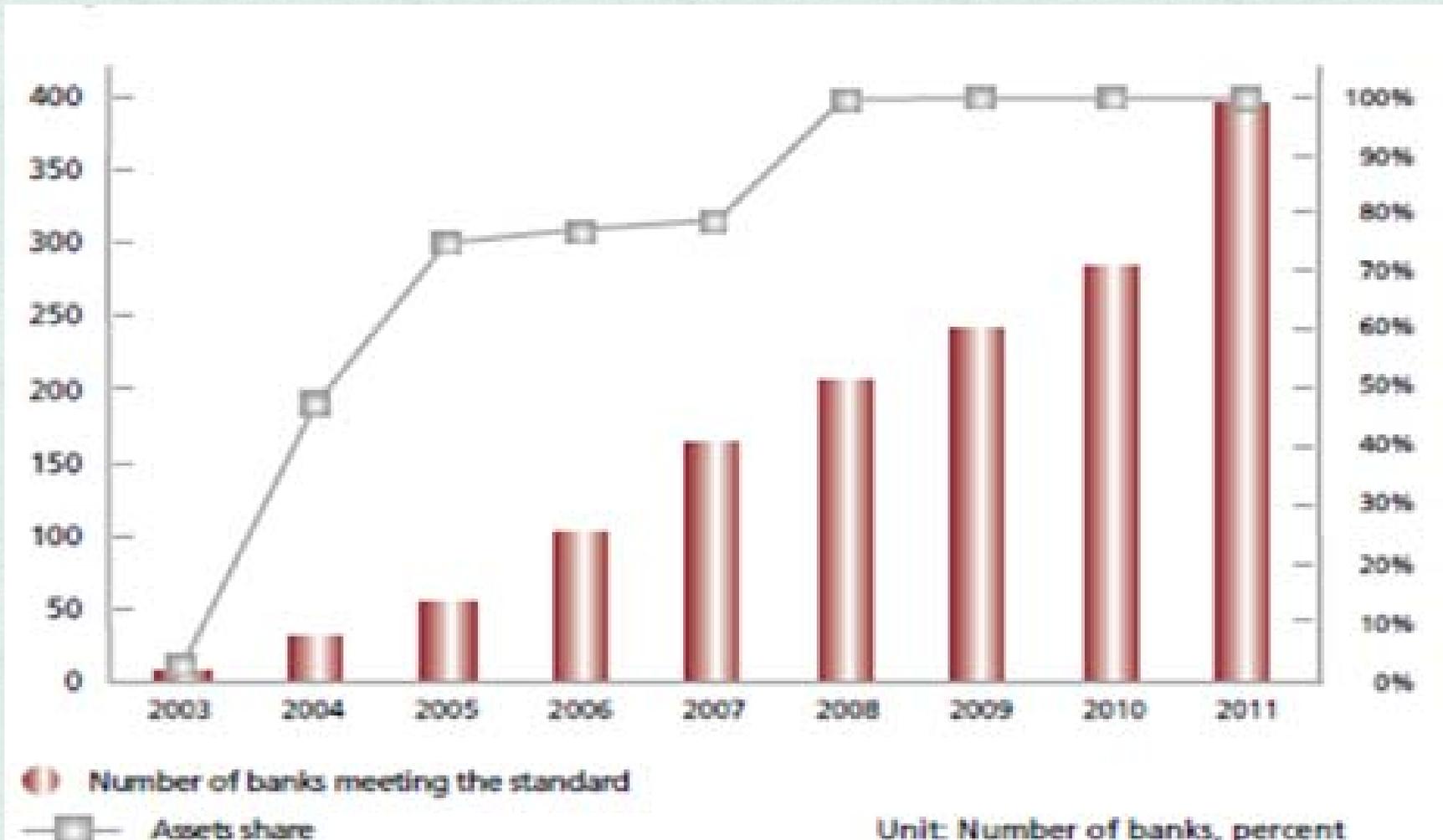
# The Latest Development of Chinese Banking Sector

- Operating efficiency has been drastically improved.
- Banks' ability to fend off risks has been significantly enhanced.
- Sources of revenue have become increasingly diversified.
- Substantial progress has been made in the internationalization of Chinese domestic banks.

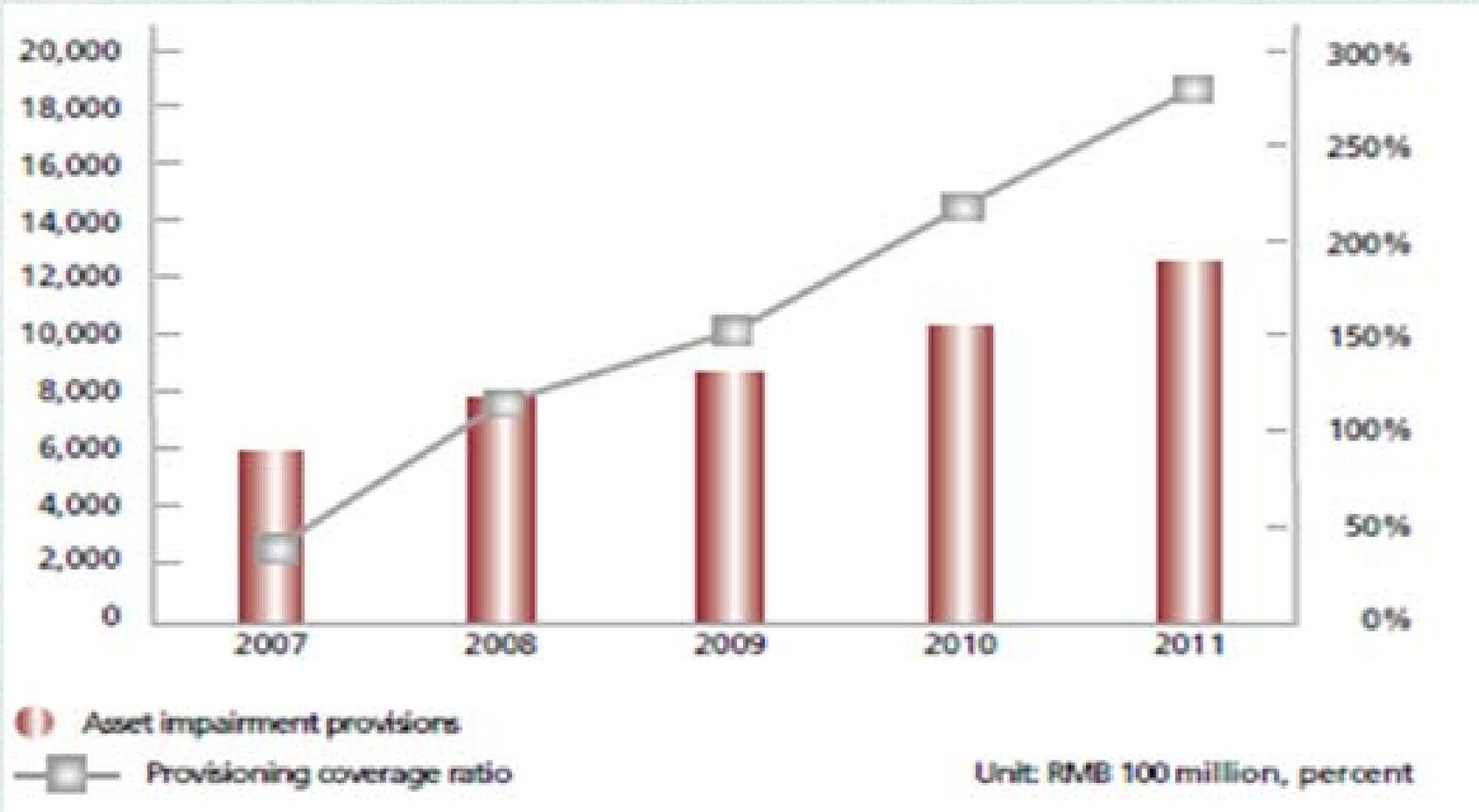
# NPL balance and ratio of commercial banks (2007-2011)



# Number and percentage of banks meeting the CAR



# Asset impairment provisions and provisioning coverage ratio of commercial banks (2007-2011)



# Conclusion

- China has honored its WTO commitments and actively opened up and reformed its banking sector
- China has steadily implemented international regulatory reform while taking into account the reality of its banking sector
- Challenges lie ahead