Prudential Supervision over Chinese Banking Sector

Ran LIN, the People’s Bank of China, International Department
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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\textsuperscript{th} 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