

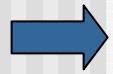


中国银行业监督管理委员会
China Banking Regulatory Commission

Back on Sound Development Track

LIU Mingkang
Chairman of the CBRC
LSE Asia Forum, 26 March 2010

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Three strengthenings

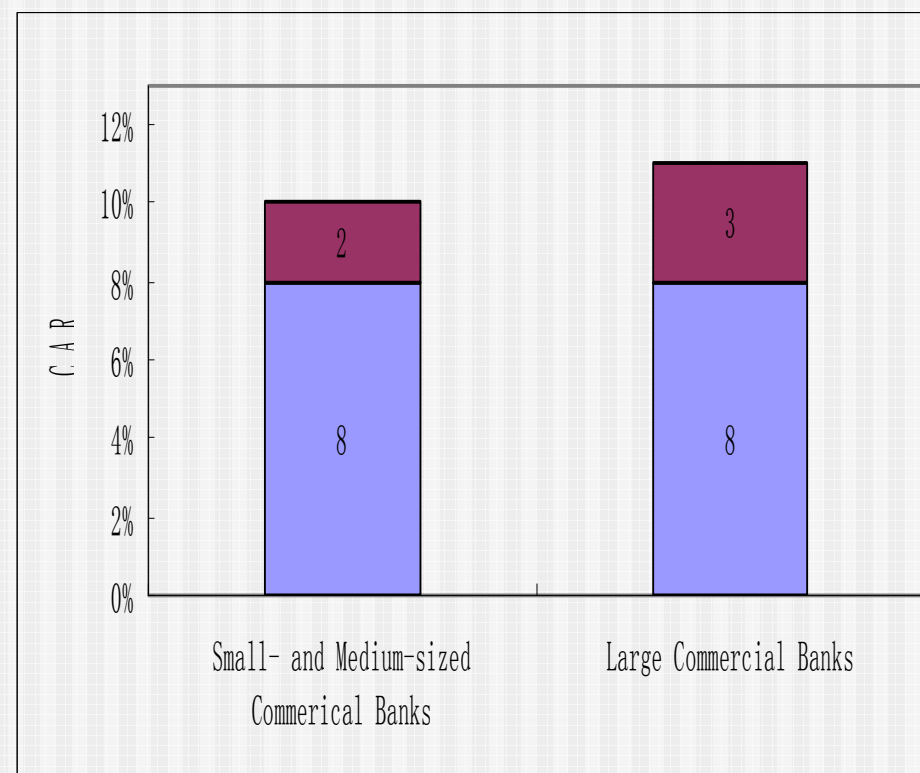
- ❖ **The simple, basic and useful limits, targets and ratios should never be neglected.**



Three strengthenings

❖ Capital Adequacy Ratio (CAR)

- 11% for large banks
- 10% for small and medium-sized banks
- emphasis on quality-
75% should be common stocks





Three strengthenings

- ❖ By the end of February 2010, the provisioning coverage ratio of major commercial banks reached 165.1%, a strong buffer for expected losses.



RMB Billion

■ Loan Loss Provisions of Commercial Banks
● Provision Coverage Ratio of Commercial Banks



Three strengthenings

- ❖ **Large exposure**
 - **China has the world's most stringent large exposure requirement, with the limits of 10% of a bank's net worth to a single borrower and 15% to a business group.**
- ❖ **Monitor the NPLs, leverage ratio, liquidity ratio, LTD, LTV, etc**



Three strengthenings

- ❖ **An effective corporate governance should be the first line of defense.**
 - **duty of care and fiduciary duty check**
 - **responsibility & accountability**
 - **firewalls**
 - **internal controls**
 - **incentive scheme**
 - **transparency**



Three strengthenings

❖ Risk-based supervision

- intensity supervision
- group-wide supervision
- EWS
- enforcement



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Three reductions

- ❖ Reduce toxic assets
- ❖ Reduce leverage
- ❖ Reduce reliance on free market dogma



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Three reforms

- ❖ It is important to have a better map of reform.
 - A broad vision
 - A building-block approach
 - The right sequence



Three reforms

- ❖ **Financial infrastructures and markets need to be reformed.**
 - **build up one set of capital, reporting and accounting treatments**
 - **set up CCPs for OTC derivatives transactions**
 - **anything or any tranches held outside the regulated system would need to be held either on unlevered basis or backed by capital and provisioning**
 - **ensure legal clarity especially regarding bankruptcy and financial counterparts**



Three reforms

- ❖ **Reform towards adherence to international supervisory standards and strengthened international supervisory cooperation**

Capital is mobile, while regulation is local.



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Three challenges

- ❖ **Building up social welfare system remains a crucial task.**
- ❖ **Restructuring of the industries weighs high on the government agenda.**
- ❖ **Quality of development should not be compromised for the sake of seeking a fast pace of growth.**



Thank you !