FSB- G20 - MONITORING PROGRESS – China September 2011

# *# in brackets are # from the 2010 template*		**G20/FSB RECOMMENDATIONS**		**DEADLINE**	**PROGRESS TO DATE** *Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	**PLANNED NEXT STEPS** *Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Regulations on adoption of the Basel II have been basically completed by China Banking Regulatory Commission (CBRC), and pilot assessment is now being conducted on the internal rating system and risk measurement mechanism in large commercial banks. The relevant regulations and rules in China have fully met the requirements of the Basel Committee, and the measures taken have broadly achieved the desired targets.	The CBRC will accept the formal application by commercial banks of Basel II adoption by end 2010, and the Basel II capital framework will be adopted by 2012. CBRC has released *Regulation Governing Capital of Commercial Banks (draft)* for public consultation and has assessed Basel II preparedness of some commercial banks.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of	By end-2011	Measurement methodology of capital requirements in banks' trading books has been revised by the CBRC in line with the documents issued by the Basel Committee in July 2009.	

			the revised trading book rules.			
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	The Guidance on the Supervision of Commercial Bank Leverage Ratio has been formulated by the CBRC according to relevant principles in Strengthening the Resilience of the Banking Sector issued by the BCBS on December 17, 2009, with preliminary calculations accomplished. A leverage ratio of 4 percent has been set out in August 2010 as the regulatory standard, and will be implemented at end-2011. The Notice on Improving Capital Replenishing Mechanism of Commercial Banks issued by the CBRC in October 2009 tightens requirements on commercial banks in issuing and cross-holding long-term subordinated bond and demands commercial banks to establish capital replenishing mechanism mainly on core capital and further enhance their loss absorption ability by using capital instruments. The CBRC will impose capital buffer requirements on all banks to enhance their capability to withstand fluctuations of economic cycles and set capital surcharge for systemically important banks. The Liquidity Coverage Ratio and the Net Stable Funding Ratio will be introduced by the CBRC with reference to a regulatory standard of 100%, according to the International Framework for Liquidity Risk Measurement, Standards and Monitoring issued by the BCBS on December 17, 2009, to improve domestic bank liquidity supervision standards and monitoring instruments.	As required by the CBRC, the leverage ratio of domestic systemically important banks should meet regulatory standards at end-2013, and other banks should meet the standards no later than 2016. The CBRC will revise the existing capital regulatory rules (the quality, quantity and standard of capital) in 2011 according to BCBS new recommendations. The new capital regulatory regime will be implemented from the beginning of 2012, with the transition period shorter than that stipulated by the BCBS. Relevant rules will be implemented at end-2011. CBRC has released Regulation Governing Liquidity of Commercial Banks (draft) for public consultation. The Regulation is planned to be implemented in early 2012. Commercial banks are required to meet the LCR standard by end 2013, and NSFR standard by end 2016.
4 (4, 7, 9, 48)	(WAP)	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should	Ongoing	The Guidance on the Monitoring and Examination of Capital Adequacy Ratio of Commercial Banks issued by the CBRC has integrated the BCBS stress testing practices as an important component. CBRC has released Regulation Governing Capital of Commercial Banks (draft) for public consultation.	Assessment on commercial bank implementation will be carried out for big banks. Improve further the multiplatform trading system of foreign exchange market, and ensure the collective reporting,

	(FSF 2009) (FSF 2008) (FSB 2009)		encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		In 2009, the CBRC issued the Guidance on Liquidity Management of Commercial Banks. The Guidance meets the requirements of the Principles for Sound Liquidity Risk Management and Supervision issued by the BCBS in September 2008. At present, regulators impose limits on leverage ratio of foreign exchange businesses conducted by banks. The State Administration of Foreign Exchange (SAFE) manages banks' foreign exchange risks through measures such as short-term external debt quota and foreign exchange purchase and sales position. In 2006 and 2007, foreign exchange swaps and currency swaps were introduced on the inter-bank foreign exchange market. The SAFE issued the Trading Rules on RMB Foreign Exchange Swaps in National Interbank Foreign Exchange Market in 2006, which requires domestic financial institutions to fund foreign exchange swap trading through China's Foreign Exchange Trading Centre closely monitored by SAFE. In March 2009, the PBC announced the introduction of Master Agreement for Financial Derivatives Transactions on the Inter-bank Market. The PBC requires that, to reduce credit and clearing risks and risks arising in the wording of contract, uniform master agreements must be signed for trading foreign exchange swaps, currency swaps and other derivatives. The Guidance on Inter-bank Foreign Exchange Market Makers was formally implemented on January 1, 2011, which would strengthen the supervision over market marking for foreign exchange and currency swap transactions through lifting the CAR threshold for market makers in foreign exchange and currency swap transactions, and strengthening monitoring and assessment. The Shanghai Clearing House was established in November 2009 with an aim to introduce net clearing of inter-bank foreign exchange and currency swap transactions with itself acting as the CCP, so as to collectively manage risks, enhance the transparency of OTC financial markets, give regulatory authorities	monitoring, and checking of supervisory information and data. Promote further net clearing in the inter-bank foreign exchange market to reduce systemic risk.

					access to complete and timely information on clearing risk exposures, and reduce systemic risks in the foreign exchange funding market. The CBRC has established a set of risk management guidelines that cover key areas such as credit risk, market risk, operational risk, liquidity risk, reputation risk, interest rate risk in banking book, internal control and compliance risk. In terms of credit risk, the CBRC has issued a series of operation guidelines including fixed asset loans, working capital loans and project finance. The CBRC will strengthen rules and regulations on the risk management with the coming regulations on capital, liquidity, leverage, provision of commercial banks. As part of China's FSAP assessment, the PBC and CBRC conducted stress testing exercises on the major commercial banks in China, focusing on the credit risk, market risk, liquidity risk and contagion risk. The CBRC has issued Guidance on Stress Testing Practices of Commercial Banks, requiring banks to use stress testing as an important risk management instrument. Its Guidance on Examination of Capital Adequacy of Commercial Banks requires that the target of internal capital adequacy management be closely linked to the stress test results. Stress testing mechanism in China's securities industry is included in risk supervision system focused on net capital. The CSRC requires securities companies to establish dynamic monitoring and supplementing mechanism of risk control indicators according to their balance sheet positions and business development, so as to ensure that net capital and other risk control indicators meet the requirements at any point of time. Securities companies shall conduct sensitivity analysis on risk control indicators before business operation and profit allocation to appropriately determine the maximum size of relevant business and profit allocation. Securities companies shall establish and improve stress testing mechanism, and timely conduct stress testing on risk control indicators according to market changes. Industry-wide stress testing has been	The PBC will continue its efforts in stress testing of the banking sector, and at the same time, gradually establish and improve the framework and methodology of stress testing for the whole financial system, to examine its resilience to macro shocks. Risk supervision system focusing on net capital will be improved, and securities companies will be urged to further improve risk monitoring, early-warning, prevention and control mechanism. First, risk supervision system focusing on net capital will be improved for securities companies. Risk capital reserves calculation criteria will be linked to market indicators and adjusted dynamically so as to properly and effectively constrains business scale and investment. The counter-cyclical feature of risk control indicators will be strengthened. Second, efforts will be

					conducted by securities companies, focusing on calculating capital adequacy ratio of securities companies under various scenarios.	made to promote securities companies to improve dynamic monitoring mechanism of risk control indicators, appropriately identify internal risk control indicators, optimise risk monitoring system, enhancing the timeliness and accuracy of data collection and analysis, and define the reporting route and handling of abnormal situations. Third, securities companies will be urged to improve and strengthen sensitivity analysis and stress testing exercises, and explore ways to establish industry-wide stress testing mechanism.
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	The PBC is studying how to strengthen supervision over domestic systematically important financial institutions as well as deeply involved in policy making on G-SIFIs initiated by FSB and BCBS, deciding on identification standards, and proposing well-targeted regulatory measures and instruments based on China's specifics. The PBC has provided proposals on establishing more stringent regulations on capital, leverage ratio, liquidity and risk provisions, etc, and setting up clear settlement arrangements and risk resolution. The CBRC has proposed additional capital adequacy requirements for systemically important banks, and are studying specific programs setting higher dynamic provision ratio, leverage ratio and liquidity ratio for systemically important banks.	
6 (43, 44)	(Pitts)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal	End-2010 (for setting up crisis management groups)	The CBRC has signed supervisory MOUs with international and regional supervisory authorities, and established regular meeting mechanism with its counterparts in USA, UK, Japan, Singapore, Canada and Hong Kong SAR to exchange information. The Supervisory MOUs has been expanded in 2010 to incorporate information sharing during crises. PBC is now working on establishing a clearly-layered risk resolution and payment arrangement for SIFIs, strengthening responsibilities of institutions,	

	(Seoul) (Lon)		framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Ongoing	shareholders and creditors, quickening the establishment of deposit insurance mechanism, and giving full play of its supportive role as the central bank. PBC is also negotiating with foreign authorities on the establishment of a cooperative mechanism of cross-border bank resolution. The CBRC is guiding large domestic commercial banks to set up contingency plans.	

7 (45)	(Seoul) (Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing	When establishing bankruptcy regimes, the regulators are working on how to include the BCBS's recommendations and principles set out in March 2010 about the resolution of cross-border banks. The *Law of the People's Republic of China on Enterprise Bankruptcy* applies to the bankruptcy of financial institutions. Regarding different sectors, *Risk Resolution Regulations of Securities Companies* regulates bankruptcy of securities companies while the *Administrative Measures of Insurance Protection Fund* regulates that of insurance companies.	The CBRC will further improve relevant rules and regulations in China, including those on the bankruptcy of financial institutions, bank's bail-in, contingent debts and living wills. At the same time, the regulators' early interference and their institutional arrangements for resolvability of large and complicated financial institutions should be set up. Regarding the bankruptcy cases in banking industry, the CBRC and PBC are drafting the *Bankruptcy Regulations on Banking Financial Institutions.*

8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	The supervisory college for the Industrial and Commercial Bank of China (ICBC) was established in 2009, and regulators for the ICBC overseas subsidiaries are invited to join in. In September 2010, CBRC held a supervisory college meeting for the Bank of China. After the outbreak of financial crisis, based on the IAIS and bilateral cooperation agreements, the CIRC established contact with regulators in countries and regions where important financial institutions are located to timely exchange information and prevent the spillover of financial risks. At the same time, as an executive member of the IAIS, the CIRC has actively participated in formulating principles of supervision over cross-border insurance groups, which has not been finished yet. In December 2010, the CIRC invited a number of overseas insurance supervisors from home countries of the foreign-funded insurers operating in China, and conducted its first supervisory college in Beijing.	CBRC will promote the supervisory colleges for other large domestic commercial banks to improve the effectiveness of the cross-border information sharing and of the collaborated supervision. Building on existing cooperation mechanisms, the CIRC will continue to participate in joint supervision over cross-border insurance groups and play a greater role in the standard-setting of international supervisory principles.
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	The PBC and other financial regulators in China have endeavoured to establish a sound financial supervision coordination mechanism, which includes: 1. regular meetings attended by heads of the PBC, CBRC, CSRC, CIRC and SAFE, to report latest developments and discuss most current issues related to financial stability. 2. a financial coordination mechanism that brings together the PBC, CBRC, CSRC and CIRC in the form of joint meetings to strengthen coordination between monetary and supervisory policies and coordinate on related supervisory rules and regulations. 3. an information sharing system among the PBC, CBRC, CSRC and CIRC. The *Provisional Measures on Information Sharing among the PBC, CBRC, CSRC and CIRC* was issued in Sept 2008 by PBC and the regulators to strengthen financial information sharing and communication among them. At the international level, the CBRC, CSRC and CIRC	The PBC is promoting establishment of joint ministerial financial supervision conference mechanism. The financial regulators in China will further strengthen cooperation home and abroad.

					signed bilateral cooperation MoUs with their counterparts across the world to improve information sharing and cooperation. CBRC included in the MOU, signed with cross-border regulators, a clarification of each regulator's duty in time of crisis.	
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing		
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	The existing laws have explicit stipulations on the regulatory responsibilities of CBRC, CSRC and CIRC, and the three authorities have signed a regulatory MOU to implement effective regulation on financial system. PBC is authorized by PBC law to mitigate and fend-off systemic risk including monitoring and assessing the overall financial system.	The PBC has been working with other authorities to improve financial supervisory coordination mechanism, to make concerted efforts in supervision and avoid supervision vacuum.
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	The CBRC has established a department to regulate financial innovation and made it clear that commercial banks should be well informed of their counterparties, businesses and risks, and estimate related costs. The CBRC has issued rules on conducting prudential regulation over specific businesses, to guide banking financial institutions, including the *Guidance on Financial Innovation of Commercial Banks* and *Guidance for Supervision and Management of Asset Backed Securitisation*. In accordance with the *Securities Law* and the *Regulation on the Supervision and Administration of Securities Companies*, the CSRC fulfils the	

					responsibility of supervision and administration of securities companies. Securities companies and their domestic subsidiaries shall not be engaged in a certain business unless approved by the CSRC. In order to effectively control risks, the financial innovation of securities companies should also be supervised by the CSRC. The CIRC regulated various businesses and the use of insurance funds, encouraged innovation by market participants in line with regulatory requirements, and built up institutional arrangements to prevent relevant risks. Administrative Rules on the Appointment Qualifications of Directors and Senior Managers of Insurance Companies and the Guiding Opinions on Corporate Governance Structure of Insurance Companies specify that directors must meet qualification requirements and have the operation and management capabilities required to assume their risk positions. The Guidelines on Risk Control over Management of Insurance Funds specify that the board of directors is responsible for making major investment decisions, developing investment strategy for new investment categories, reviewing risk control system and monitoring implementation of risk control measures.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, … Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators,	End-2009	Currently, there is not a mature environment for operation of hedge funds in domestic capital markets. The chance is slim for domestic capital market to be directly impacted by overseas hedge funds, and the indirect impact exerted through financial instruments traded overseas on domestic market is relatively small.	China will closely watch regulatory reform on hedge funds worldwide and take active actions to strengthen risk supervision. While steadily expanding the qualified foreign institutional investors (QFII) program, China will improve the management of QFII qualification and the regulation of their investment. Ex post regulation and penalty will be strengthened against QFIIs that violate quota rules or fail to fulfil the obligations of filing required documents for disclosure purpose or cooperating with regulators. China will also reinforce the

			including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.			monitoring and punishment of illegal cross-border flows arising from hedge funds and other international speculative capital.
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	(see the above item)	China will further strengthen information exchange and supervisory cooperation with international organizations, and improve the coordination mechanism on information sharing, monitoring and early warning of cross-boarder capital flows so as to better identify and crack down on cross-border market manipulation.
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	(see the above item)	
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	The CBRC requires commercial banks to strengthen risk controls on highly leveraged counterparties and that commercial banks' overall risk exposure to an individual institution shall not exceed the credit line ratio assigned to a single customer.	

Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	According to the requirement of the BCBS, the CBRC revised capital requirement on risk exposure to asset securitisation, and clearly noted requirements on due diligence and information disclosure of commercial banks. Where a commercial bank fails to fulfil due diligence requirement, the risk exposure to securitisation will be totally deducted from the capital. On May 20, 2009, the CSRC issued the *Note on Pilot Securitisation Practices of Securities Companies* and the *Guidance on Pilot Securitisation Business of Securities Companies (Provisional)*, and set clear requirements for securities companies conducting securitisation business on a pilot basis. For instance, these companies shall have a rating above A level, and their net capital in recent 12 months shall not exceed 2 billion yuan. Securities companies shall disclose information according to law, including releasing asset management report and asset custodian report quarterly. Earnings allocation report shall be published before the allocation. Temporary events shall be timely disclosed. Information disclosed shall be reported to the local CSRC branch offices. CBRC is going to implement related regulations from the end of 2010.	

18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	According to the requirement of the BCBS, the CBRC revised capital requirement on risk exposure to asset securitisation, and clarified regulation on due diligence and information disclosure of commercial banks. Where a commercial bank fails to fulfil due diligence requirement, the risk exposure to securitisation will be totally deducted from the capital. For the time being, enterprise asset-backed securitization is still on a pilot basis. CSRC local offices have undertaken first-line supervision over asset backed securitization, including checking rules and procedures of securitization of securities firms, making judgement on their institutional arrangements, business performance and eligibility for asset-backed securitizations, monitoring implementation of rules and regulations and making on-site inspection, establishing supervision files on related businesses of securities firms, guiding securities firms to make contingency plan, and investigate in and impose penalty on cases suspected of illegal conducts and irregularities. According to Article 21 of the *Guideline on Pilot Project of Enterprise Asset-backed Securitization by Securities Companies (Provisional)*, securities companies can use their own fund to subscribe to beneficiary certificate so as to hold part of the underlying assets throughout the duration.	
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing		
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing		
21 (14)	(FSF 2008)	Enhanced disclosure of securitised	III.10-III.13 Securities market regulators should work with market	Ongoing	According to related information disclosure rules issued by the CSRC, listed companies shall disclose main transactions and accounting treatment for	In January 2010, the CSRC completed the revision of the *Compilation Rules for Publicly offered securities and*

		products	participants to expand information on securitised products and their underlying assets.		securitization of financial assets and non-financial assets, and explain in details bankruptcy remote clause about asset backed securitization. For SPE (special purposes entity) that are not controlled by listed companies whereas their risks are born by listed companies, the listed companies should disclose the name and main information.	*Corporation Information Disclosure (No. 15)——a General Rule of Financial Report*, which clearly prescribes the disclosure content of securitization business and has been implemented in the 2009 annual report of listed companies. At current stage, asset backed securitization is not yet a widespread business in China's capital market, with limited varieties and simple structure. As the business grows, regulators in China will formulate specific information disclosure rules in light of related disclosure principles set out by the IOSCO.
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital	By end-2012 at the latest	At present, China's OTC foreign exchange derivatives, OTC RMB interest rate derivatives and credit derivatives are traded on the electronic trading platform, and those derivatives not traded on the platform are reported to relevant departments. Thanks to efforts made by the PBC, the Shanghai Clearing House was established in November 2009, laying the foundation for the centralized clearing of derivatives in the future. Currently, according to Article 5 of the *Regulation on Futures Trading*, the futures supervisor conducts unified supervision over the futures market. In October 2010, credit risk mitigation instrument was introduced in the inter-bank bond market of China. Advanced by the PBC, the Shanghai Clearing House was incorporated on November 28, 2009, laying the foundation for the centralized clearing of derivatives in the future.	China will phase in the centralized clearing of OTC derivatives by taking into consideration the nature and degree of standardization of various OTC derivatives. Shanghai Clearing House will provide centralized clearing for the financial market.

	(Lon)		requirements. We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.			
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	In order to prevent systemic risks, the PBC is studying how to establish macro-prudential policy framework, and is formulating regulatory rules on financial holding companies as well as standards on cross-sector financial business together with financial supervisory authorities so as to have a well-defined division of work in regulating financial holding companies, strengthen supervision over systemically important financial institutions, and reduce vacuum of supervision. Moreover, the PBC regularly monitors risks in the banking sector, paying close attention to foreign banks and locally incorporated median and small-sized banks and has carried out ad hoc analysis in the operation and major risks of guaranty companies and pawning houses. The PBC also took measures to regulate third-party payment institutions, including specifying qualifications for market entry. The PBC, the CBRC, the CSRC and the CIRC have signed MOU on information sharing and supervisory cooperation. The CBRC has implemented strict market access requirements and ongoing supervision over banking institutions, and established information sharing arrangement with the PBC, the MOF, the NDRC and	The PBC will further regulate the wealth management business of banks, strengthen risk monitoring and assessment on institutions and business including financing guaranty companies, microcredit companies and private equity funds, and make efforts in studying and monitoring of informal finance. The authorities responsible for supervision of securities companies should be given macro-prudential supervisory mandates. Consolidated supervision of securities companies should be implemented step by step, so as to better assess, monitor and judge systemic risks of the securities industry and provide consistent data of the industry's business operation.

					the National Bureau of Statistics so as to identify and address various risks affecting banking system stability in a timely manner, and conducted effective supervision over financial system jointly with the PBC. The CSRC closely monitors risks faced by securities companies, fund management companies, futures companies and listed companies, by scrutinizing their securities and derivatives investment, and taking strict measures on major risks. The CIRC strengthened supervision over insurance institutions, established supervisory framework focusing on solvency, market behaviour and corporate governance, and conducted supervisory cooperation with overseas supervisory authorities to strengthen supervision over cross-border insurance corporations.	
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	The PBC, CBRC, CSRC and CIRC have a statistical information sharing and communication system and have made great efforts to share basic data and information concerning financial stability and financial risks, fill up information loopholes and strengthen coordination on monetary policies and financial supervisory policies. According to the *Law on Banking Regulation and Supervision*, the CBRC is authorised to collect all information of banks in terms of finance, risks and organisational structures. The CBRC has established a sound off-site and on-site regulation system to collect and analyse risks of banks. According to the *Insurance Law*, the insurance supervisory authorities are entitled to collect information on the business, financial status, risk control, organizational structure and management of all insurance companies. The CIRC has established an operational system for on-site and off-site supervision, as well as data/information reporting system. The CIRC promulgated the Administrative Measures on Information Disclosure of Insurance Companies in 2010, requiring insurers to regularly disclose information on their financial position and the risks to which they are subject so that stakeholders can obtain such information as basis for decision making in time.	

25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	The Chinese government attaches great importance to strengthening the macro-prudential management. The national “12th Five-year” plan requires that “a counter-cyclical macro-prudential management framework be established”, and the 2011 government report also requires that “a macro-prudential policy framework be well established”. According to relevant arrangements, the PBC has started to study on the counter-cyclical management mechanism in line with the international financial reforms and the international efforts to speed up the establishment of macro-prudential policy framework. The framework requires that financial institutions, on the basis of the lowest capital adequacy requirement and systemic importance additional requirement, establish capital buffers in order to meet the macro-prudential capital requirement, to mitigate cyclical systemic risks, and to promote the soundness and stability of the financial system. At present, the PBC is exploring the use of dynamic differentiated reserve requirement ratio in facilitating financial institutions to meet the macro-prudential requirements. A number of simple, effective and applicable indicators have been used by the CBRC, including both risk indicators like capital adequacy and loss provision coverage ratios, and simple indicators such as liquidity, loan to deposit, collateral and large risk exposures ratios to control risks of individual bank and the whole banking system. The CBRC has revised relevant regulatory standards, and set forth consultative documents of supervisory guidance on dynamic capital regulation, dynamic loan loss provisioning and leverage ratio, which will be formally released in 2011 and fully implemented in 2012. In addition, the CBRC will continue to strengthen the monitoring of banks’ management of non-performing loans, and intensify regulation over the divergence and changes of the quality of loans. The CBRC also strengthened supervision over systemic important financial institutions and has employed dynamic indicators in regulating large banks since the beginning of 2010. To strengthen risk supervision and urge securities companies enhance internal control and fend off risks, the CSRC has issued the *Administrative Measures on Risk Control Indicators of Securities Companies*. The	The PBC will continue its research on concepts and measures of the macro-prudential management, follow closely with the latest findings of the macro-prudential policy framework and tools developed by FSB and BCBS, and further study on the macro-prudential policy framework adaptive to the Chinese conditions in line with the economic and financial developments and the guidance that would possibly be published by international organizations. Supervisory guidance on leverage ratio, counter-cyclical capital buffer and dynamic loan loss provisioning are being formulated by the CBRC, and liquidity coverage ratio and net stable funding ratio will also be introduced for supervisory purposes. The CSRC is going to improve the risk control indicator system and the sensitivity analysis and stress testing mechanism of liquidity and financial performance of the securities industry, conduct regular monitoring, assessment and early-warning of risks, and monitor on an on-going basis the industry’s resilience in changing market situations, to enhance forward-looking risk supervision and pre-empt systemic risks.

					CSRC is promoting establishment of a risk control indicator system with net capital as the core, improving the dynamic risk monitoring mechanism, strengthening methodology, instrument and system of risk management, and streamlining the procedures of risk identification, assessment and control in securities companies, so as to make sure their business activities and size are commensurate with their management capacities and net capital levels. In addition, the CSRC intends to establish a monthly reporting system in which securities companies reports their operational data on a monthly basis, so as to conduct industry-wide performance and risk analysis.	
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	According to *the Law of the People's Bank of China*, China's monetary policy aim is to maintain stable currency value so as to promote economic growth. Besides, the PBC also takes the responsibility of addressing financial risks and maintaining financial stability. Asset prices are not directly targeted by monetary policies. However, in order to maintain the stability of the overall price level and the soundness of financial system, the PBC has been watching changes of asset prices. By doing so, the PBC aims to be better understand macroeconomic trend and economic aggregates by analyzing changes in asset prices, analyze the implications of such changes on monetary policy transmission, price level and the soundness of financial system, and warn commercial banks of risks through window guidance to promote their sound operations. The CBRC closely monitors movements of stock prices and real estate prices and provides window guidance to commercial banks through quarterly meetings on economic and financial developments and briefings on potential risks. Meanwhile, the CBRC dynamically adjusted loan-to-value ratios of mortgage loans, and conducted stress tests to prevent the adverse effects of real estate market fluctuations on the banking system.	

27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	PBC has been strengthening corporation among agencies and financial supervisors by all means pursuant to law and regulation, including an information sharing system among the PBC, CBRC, CSRC and CIRC. Amidst the spreading and deepening of the global financial crisis, the PBC and the CBRC signed memorandums on establishing mechanisms to jointly supervise foreign banks in China and small and medium commercial banks respectively at the end of 2008, aiming to strengthen supervision over foreign banks and small & medium commercial banks and stabilize financial markets. The PBC and the CBRC have made regular information sharing arrangements and emergency response arrangements to handle liquidity crisis. The CSRC is responsible for assessing and monitoring risks of individual securities company and industry-wide risks, and taking effective measures to prevent and mitigate such risks. Meanwhile, the CSRC provides other macro-prudential regulators with data on the operation of the securities industry on a regular or ad-hoc basis to ensure timely communication and coordination. The CIRC is responsible for the identification, monitoring and early warning of risks in the insurance sector, formulating and implementing emergency plans for risk resolution. Meanwhile, the CIRC will provide relevant data and information to central bank and other regulatory authorities, and cooperate with the PBC (Anti-Money Laundering Bureau) on AML issues.	There has been more effective coordination and cooperation among regulatory agencies to prevent cross-sector contagion of risks.
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and	Ongoing	The system of Accounting Standards for Business Enterprises (ASBEs), established in 2006 and converged with the IFRSs, has been applied continuously and effectively by all listed companies, state-owned enterprises, financial institutions and most of the other large and medium-sized enterprises in China since January 1, 2007. Meanwhile, China's accounting standard setter has established an effective	The Ministry of Finance (MOF), as the accounting standard setter in China, issued the Roadmap for Continuous Convergence of the Chinese Accounting Standards for Business Enterprises with the International Financial Reporting Standards on April 2nd, 2010. According to the roadmap, the revision of ASBEs

			enforcement of high-quality accounting standards.		supervision mechanism together with supervisory authorities to ensure the quality of implementation. For instance, in its routine supervision, the MOF and CSRC have established an efficient accounting supervision system with clear division of labour and efficient cooperation, which focuses on annual reports of listed companies and counts on accountability of regional supervision offices. This has ensured the implementation of accounting standards in capital markets. For those listed companies which have problems in their financial statements and disclosure of financial information, the MOF and CSRC have required them to amend such financial statements, provide explanations and release implications in a timely manner. The MOF and CSRC have taken regulatory measures, imposed administrative punishment or transferred the cases to judiciary agencies depending on the nature and severity of such misconduct. Since 2007, the MOF has tracked and analyzed the implementation of all listed companies by way of “real time monitoring the stock market, analyzing the target group company by company”, and reported the Analysis Report on the Implementation of ASBEs by Chinese Listed Companies every year. The analysis shows that the implementation of the ASBEs by all listed companies has been smooth and effective. Since 2007, the MOF has set out the requirements for preparing the annual reports every year, and pointed out the concerns that all listed companies should focus on, such as fair value measurement, impairment, business combinations. At the same time, the Finance Bureau of each province also tracked and supervised the implementation of the ASBEs by the listed companies and large and medium-sized enterprises in the region. According to the implementation of ASBEs and supervision practise, 2007-2010, MOF issued Interpretation 1-4 to solve problems in practical application. The MOF and CSRC have updated and improved the rules on listed companies’ information disclosure in a timely basis to enhance consistency	will keep pace with the progress made by IASB. On April 26th, 2010, the MOF, the CSRC, NAO, CBRC and CIRC jointly issued the Supplement Guidance on Enterprises’ Internal Control, and would promote its implementation in listed companies step by step. The system of Enterprises’ Internal Control will be set up in companies which listed both at home and abroad from 1 January 2011. Then it will be expanded to all companies listed at the main board of Shanghai and Shenzhen stock exchanges from 1 January 2012. On this basis, it will be gradually applied to companies listed in the SMEs board and the growth enterprise board. At that time, in accordance with the information disclosure requirements of the MOF and the CSRC, listed companies should disclose the annual self-evaluation report of internal control, and employ certified accounting firms which have qualification certification on securities and future business to audit the validity of financial reports’ internal control.

					between the implementation of ASBEs and information disclosure.	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011		
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	Since 2007, the MOF has set up the system to track, analyze and monitor the implementation of ASBEs, particularly the fair value valuation of the financial instruments when the data or the models could not support its valuation. The MOF interviewed the companies with improper accounting practices and corrected them to ensure the consistent and comparable implementation of ASBEs. At the same time, regulators also have set up a system to track and monitor the application of fair value accounting on a real-time basis. For instance, when a listed company first adopts the new ASBEs, MOF, CBRC and CSRC will require the company to put in place a decision-making mechanism concerning fair value accounting, adopt fair value measurement models in a prudent and moderate manner, and fully disclose the methodology of fair value measurement, assumptions of valuation and the principles for choosing main parameters. In terms of fair value measurement of financial instruments, the MOF, CBRC and CSRC require listed companies to choose related parameters strictly according to the requirements of the ASBEs and fully disclose relevant information when using valuation models to calculate the fair value in subsequent accounting. For example, in the supervision over 2009 annual reports of listed companies, the CSRC focuses on impairment provisioning of financial instruments, especially of assets available for sale.	The MOF and related regulatory agencies are to strengthen and improve the system of tracking and supervising the application of the fair value, so as to ensure effective implementation of ASBEs. The MOF has kept an eye on the progress made by the IASB, and made response to the IASB's exposure draft actively together with related regulators, in order to prepare for the continuing convergence between the ASBEs and international standards at the implementation level.

31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	The MOF will keep pace with the IASB in developing standards of fair value measurement, financial instruments (including hedge accounting) and etc. It has established working groups on fair value measurement and financial instruments, employing expert from prudential regulators, auditors and accounting practitioners, and has begun to revise, draft and improve the standards of fair value measurement and financial instruments. The MOF, CBRC and CSRC have always closely supervised deliberate adjustment of profits across periods using re-classification of financial instruments, and have required the enterprises to classify and re-classify the financial instruments strictly according to the requirements of ASBEs, and fully disclose them in the notes to financial statements.	The MOF has tracked the revising progress of international accounting standards on fair value measurement and financial instruments since 2009. The revision of ASBEs will keep pace with the progress of IASB
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	China always supports the efforts of the international community in enhancing the taxation transparency and exchanging information. On the one hand, China has signed over 90 agreements on avoiding double taxation and on the exchange of intelligence, all of which are in line with the international standards on taxation information exchange. On the other hand, in an effort to implement the G20 requirement on improving taxation transparency and information exchange, China has actively participated in the restructuring of the Global Forum on Taxation and in peer review. For the time being, China continues to take concrete actions according to the *Action Plan to Improve AML/CTF System* submitted to the FATF in June 2007 to address weaknesses and improve related work. In light of the follow-up process of FATF mutual assessment, China has provided seven follow-up	China will further engage in the work of the Global Forum on Taxation, promote peer review, and create a more equitable, open and transparent taxation environment. Meanwhile, domestic laws and regulations will be improved according to new supervisory standards issued by the FSB and BCBS. China will continue to improve its AML/CTF system in light of the international AML/CTF standards and China's realities, including taking into consideration the new Standards to be established as a result of the ongoing review. China will also promote the implementation of AML/CTF standards around the world through its involvement in multilateral platforms.

	(WAP)		All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.		reports to the FATF on actions taken to address the deficiencies identified and progress achieved to improve China's AML/CFT regime. In June 2011, the FATF recognized that China had taken sufficient actions that brought it into compliance with the FATF Standards on most aspects of criminalisation of money laundering, implementation of related UN conventions, and preventive measures in the financial sectors. At the same time, China has actively taken part in activities of FATF, APG, EAG and other regional multilateral platforms, thus making due contribution to the implementation of AML/CTF standards across the world. China's financial supervisory laws and regulations aim at maintaining financial stability, and include requirements on openness and transparency in the financial sector. The PBC completed the assessment templates of three FSB thematic reviews on compensation, risk disclosure and mortgage underwriting in 2010, and two thematic reviews on compensation (follow-up) and deposit insurance in 2011, with the joint efforts made by the MOF, CBRC, CSRC, CIRC, China Investment Company and relevant financial institutions. China started its FSAP in 2009 and is now near completion of FSAP assessment. China formally launched FSAP on August 17, 2009. In June and December of 2010, two rounds of on-site assessment were conducted through the joint efforts of China authorities, the IMF and the World Bank. By the end of September 2011, all main documents of China FSAP have been, or come close to be, finalized, including Financial System Stability Assessment, Financial Sector Assessment and Detailed Assessment Report on the observance of international standards and codes.	China will actively participate in the third thematic peer review in 2011 and the three thematic peer reviews in 2012 as well as other national assessments by the FSB. The Chinese authorities, the Fund and the Bank are discussing the publication of the FSAP documents.
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation	We fully endorse the implementation standards of the FSB aimed at	End-2010	Against the backdrop of global efforts to cope with the financial crisis and strengthen management on compensation of senior executives in financial	Taking the Assessment in 2009 into account, the average profit of State-owned financial enterprises improved by

	(Tor) (Seoul)	principles	aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. We reaffirmed the		institutions, the Ministry of Finance issued the *Notice on the Compensation of Heads of State-owned and State-holding Financial Institutions* and the *Notice on Compensation Allocation for Senior Executives of State-owned Financial Institutions for 2008* in January and April of 2009 respectively. These documents require relevant financial institutions to regulate their compensation management, appropriately control the compensation of senior executives, and encourage appropriate reductions in compensation of senior executives. In particular, the compensation of senior executives in financial institutions reporting a deteriorated performance shall be cut by at least 20%, while that of senior executives in other financial institutions shall be reduced by at least 10%. These policies have produced evident results. State-owned and state-holding financial institutions as well as their subsidiaries are required to follow these rules, and other non-state-owned financial institutions are called on to take similar measures. In order to strengthen compensation management in central government-owned enterprises, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State-owned Assets Supervision and Administration Commission jointly issued *The Guidance on Further Regulating the Compensation of Head of Central Government-owned Enterprises* in September 2009, which define principles on incentives and discipline mechanism, striking a balance between short-term and long-term incentives and aligning the compensation growth of senior executives to that of the staff. In accordance with the *Guidance* mentioned above, the Ministry of Finance launched *Administrative Regulations on Audit of Compensation of Head of Central Government-owned Financial Enterprises* and established a long-lasting mechanism for regulating compensation of head of Central Government-owned financial enterprises. Meanwhile, the Ministry of Finance made revision on the Performance Evaluation of Heads of State-owned	34%, while the compensation of senior executive reduced by around 3%. The CBRC will monitor and assess the implementation of *The Supervisory Guidance on Sound Compensation in Commercial Banks* soon. The CIRC is working on formulating *Guidance on Regulating Compensation Assessment in Insurance Companies,* to standardize key elements such as performance assessment, hiring and termination and compensation payment. With risk and compliance management linked assessment results, insurances companies are guided to establish a compensation system with scientific indices, appropriate standards and compliant processes so that incentive and restraint mechanism can play a better role in corporate governance and risk control.

			importance of fully implementing the FSB's standards for sound compensation.		and State-holding Financial Institutions and the Notice on Compensation Allocation for Senior Executive of State-owned Financial Institutions for 2011 in May and July respectively. These documents make further request on the relevant financial institutions to regulate their compensation management, and define principles on maintain the balance between performance and compensation. All these regulations have been taking full consideration of FSB Principles for Sound Compensation and requirements for implementation. In line with international standards prescribed in the FSB *Principles for Sound Compensation Practices*, the CBRC issued *The Supervisory Guidance on Sound Compensation in Commercial Banks, requiring the whole banking industry* to follow. The CBRC has conducted two ad-hoc assessments on implementation of *Principles for Sound Compensation Practices by Small & Medium-sized Commercial Banks* and urged every bank to comply with the *Principles*. The CSRC encourages the establishment of appropriate and effective performance assessment and incentive mechanisms, and has issued the *Code of Corporate Governance for Securities Firms (Provisional)* and the *Regulations on Supervision over Securities Firms,* which stipulate the remuneration system of securities and futures financial institutions in line with the FSB *Principles for Sound Compensation Practices* and *Implementation Standards*. The CIRC has adopted a series of measures to regulate the compensation management procedures and performance assessment in insurance companies.	
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures,	Ongoing	The *Guidance to Internal Control of Securities Companies* stipulates that securities company should establish appropriate and effective incentive mechanism and strict accountability system. Performance evaluation systems of securities companies should incentivise legal compliance on part of their staff members. Board of directors is responsible for urging, investigating and assessing the build-up and implementation of internal control regimes of securities companies.	The CSRC is reviewing *the Regulation on Supervision and Administration of Securities Companies (Provisional Version)* to further improve the regulation and management of compensation of senior managers of securities companies by referring to specific requirements of the FSB's Compensation Principles.

			such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.		*Regulation on Supervision and Administration of Securities Companies* stipulates that for those securities companies which have problems of unsound corporate governance, incomplete internal control and etc., CSRC should urge them to make correction within stated time span and can take regulatory measures accordingly. The CBRC is going to issue *The Guidance on Corporate Governance of Commercial Banks* soon, which includes articles on supervisory review of compensation policies.	
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	The PBC enacted the *Credit Rating Guidance* in 2006 to impose filing requirements over credit rating agencies as well as requirements on practices, internal control, rating procedures, rating notches, prohibitions, avoiding interest conflicts, information disclosure and file management. To further refine the management, the PBC issued the *Regulations on Credit Ratings in the Credit Market and the Inter-bank Bond Market* in the same year. The Regulation is consistent with IOSCO's basic principles, some of which are more stringent and in line with China market realities. According to the *Securities Law* of the People's Republic of China, the CSRC issues licenses to CRAs doing rating businesses in the securities market. Any entities and individuals are not allowed to conduct securities rating business without licenses. *The Provisional Rules on the Administration of the Credit Rating Business in the Securities Market*, which took effect in Sep 2007, provides regulations on 11 businesses including information disclosure, interest conflicts prevention, internal control and compliance management, rating quality control, staff management, prohibited behaviours, confidentiality system and archives management, and clarifies supervisory approaches such as regular reporting, on-site inspection and accountability. These rules are basically consistent with *The Code of Conduct Fundamentals for Credit Rating Agencies* issued by the IOSCO, and	Securities Association of China set up the Professional Committee of Securities Ratings. The securities rating agencies signed a "self-discipline Convention", to strengthen self-discipline.

					contain requirements on due diligence and accountability, which are not covered by *the Code*. From the institutional perspective, China's rules on securities rating business are more rigorous than *the Code* issued by the IOSCO.	
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	In August 2009, the PBC kicked off the revision of the *Specification for Credit Rating* according to the IOSCO standards. The *Specification for Credit Rating* includes provisions on conflicts of interest, rating procedures, rating methods and information disclosure. The Provisional Rules on the Administration of the Credit Rating Business in the Securities Market clarifies situations where withdrawal of the CRAs is required in securities rating business out of concern of conflicts of interests. The Provisional Rules stipulates that the CRAs shall establish a rating result disclosure system to verify the accuracy and stability of rating results through effective statistical methodology, and publish the results on their own website as well as on the CSRC's website. Currently, basic information of the CRAs has been disclosed to enhance the transparency. As prescribed in the Provisional Rules, the CRAs shall designate a staff member to examine the compliance of securities rating business. Regulations on the rating of structural products will be included in the industry-wide standards.	The revision of the *Specification for Credit Rating* has been finished by 2010, which is in the second round of consultative process.
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	The CSRC has become a member of the IOSCO, and will actively participate in the rule-setting process of the IOSCO. PBC pays close attention on reforms in regulatory policies on CRAs taken by regulators in other countries, U.S. and Europe in particular, research on relevant issues combining with China's reality and actively participate in international exchange and cooperation in this field.	China will continue to take part in international discussions to achieve consensus on a globally agreed solution of the CRA issue.
38 (40)	(Seoul)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on	Ongoing	At present, China is studying on the related issues.	China will formulate regulations depending on the development of credit rating business in the future, to promote

	(FSF 2008)		external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.			the role of ratings.
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing		
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	With an aim to strengthen risk supervision in securities companies, to urge them to strengthen internal control and prevent risks, and to enhance their capital adequacy, the CSRC has established a capital supplementing mechanism as well as a risk control indicator system focusing on net capital, designed a two-layered risk control indicators system, and defined absolute indicators and relative indicators of net capital and relevant standards, so as to align the company's net capital adequacy with its business scope. When conducting business or establishing branches, securities companies shall calculate risk capital reserves according to certain standards and ensure various risk capital reserves are supported by net capital correspondingly, so as to indirectly control business scale. Meanwhile, they shall directly control	The net capital regulation conducted by the CSRC in securities industry has effectively promoted sound development of the industry. As the next step, efforts will be made to further improve the indicator system, make dynamic adjustment, and compare the system with international practices.

					the scale of high risk business in order to dynamically link business scale to the level of net capital to effectively prevent business risks.	
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	According to the requirements of BCBS, CBRC amended the capital requirements for risk exposure to asset securitization, and clarified the requirements for the due diligence investigations and information disclosure. For those banks that fail to implement due diligence investigations, the full amount of asset securitization risk exposure will be deducted from the capital. The capital securitization of enterprises is still in trial. According to Article 66 of the *Regulation on the Supervision and Administration of Securities Companies* issued by the State Council, securities companies should disclose their basic information, join-stock situation, liabilities and contingent liabilities, business performance, financial conditions, compensation of senior management and other related information. In addition, independent review is a key instrument in supervision over securities companies. The content of the review covers not only financial information, but also internal control and risk management process. Securities companies submit audit reports signed by members of their senior management to regulators. The PBC is able to reach anticipated goals by implementing *the Administrative Measures on the Pilot Program of Credit Asset Securitization*, which is in line with international practices. On May 12, 2010, the CIRC issued *Administrative Measures on Information Disclosure of Insurance Companies,* which was brought into effect on June 12, 2010. It clearly noted that insurance companies should disclose their information of basic facts, finance and accounting, risk management, insurance products, solvency, significantly interconnected transactions, and important events.	CBRC will start to implement the Guideline from the end of 2010. CSRC has been working on drafting rules to require securities companies to enhance information disclosure. During this process, the CSRC will draw on international principles and guidelines.
Others						
42 (46)	(FSF 2008)	Review of national deposit	VI.9 National deposit insurance arrangements	Ongoing	The PBC is working together with other related agencies including CBRC, in revising the	Once the implementation plan is approved, the deposit insurance

		insurance arrangements	should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.		implementation plan of deposit insurance scheme and drafting the *Deposit Insurance Regulation*. On 24th August 2011, at the request of FSB, China provided the FSB secretariat with a response to the questionnaire of deposit insurance peer review, describing the current arrangements of depositor protection in China and the progress of introduction of the deposit insurance system.	scheme will be set up.
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Since the international financial crisis, China has taken a range of measures to counter the crisis, implemented active fiscal policy and accommodative monetary policy, actively promote the restructuring of the economy and change its pattern of development, and played an important role in the recovery of the domestic economy and in supporting the global recovery. With the recovery of the economy in 2010, the PBC proactively made the policy flexible, while basically keeping the monetary policy accommodative. By using multiple monetary tools, the PBC strengthened its liquidity and inflationary expectation management and guided the credit activities back to normal in line with the new economic conditions. The PBC raised the reserve requirement six times during the year 2010, and it raised the bench mark interest rate twice in the fourth quarter. In 2011, China began to implement a prudent monetary policy in order to ensure a relatively rapid and sound economic growth and, particularly, to ensure a stable price level. In 2011, the PBC raised reserve requirement six times and bench mark interest rate thrice. It has carried out flexible open market operations and continued to improve the credit structure. The prudent monetary policy has begun to show its effect.	The PBC will continue the prudent monetary policy, and will make containing inflation its chief task of macro-economic management. The PBC will follow closely the latest development of the international and domestic economic development, and properly use the OMO, reserve requirements, interest rate and macro-prudential management. It will strengthen the liquidity management, keep a reasonable scale of the social financing, guide a moderate credit growth, continue to strengthen the credit support to agriculture and SMEs, and optimize the credit structure, Meanwhile, the PBC will steadily promote market-based RMB interest rate and the reform of the RMB exchange rate regime, increase the consistence to the fiscal and industrial policies, and continue to strengthen monitoring the cross-border capital flows and bank's off-balance asset management services. The PBC will actively deal with the relationship between sound economic growth, economic restructuring and preventing inflation, and to prevent large economic fluctuations.

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)