

**Annual Report of the State
Administration of Foreign Exchange
2011**

State Administration of Foreign Exchange





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Administrator's Message

The year 2011 marks the beginning of the 12th Five-Year Plan period. Amid the complexity and volatility of the international political and economic circumstances, and taking on the enormous and arduous task of domestic reform and development, the Party Central Committee and State Council made scientific decisions and exercised effective leadership while closely adhering to the theme of scientific development and placing priority on accelerating transformation of economic growth patterns, strengthening and optimizing macro controls, and consolidating and expanding achievements to cope with the impact of the international financial crisis. As a result, the national economy has developed in the direction expected by the macro controls, with an ever stronger risk resistance capability, and has demonstrated a promising momentum with moderately rapid growth, price stability, sound efficiency, and enhanced living standards for the people.

Despite the persistence of China's overall "twin surplus" pattern, surplus in 2011 has been reduced, resulting in further improvements in the balance of payments. The surplus under the current account represented 2.8% of GDP, 7 percentage points less than the record high in 2007. The total balance of payments surplus stood at USD422.8 billion, down by 19% year on year. Cross-border capital flows underwent huge fluctuations, as net capital inflows in the first three quarters went up by 62% compared with the same period of the last year, but the fourth quarter witnessed a net outflow of USD29 billion. By the end of 2011, China's foreign exchange reserves had reached USD3.181 trillion.

The further improvements in China's balance of payments can be attributed not only to changes in the domestic and international economic landscapes, but also to China's structural adjustments and macro-control measures. Externally, the sovereign debt crisis in 2011 continued to beset Europe





and the US, while global economic growth slowed down considerably, and international financial markets suffered ever more turbulence. Domestically, endogenous growth continued to support national economic development. In 2011, domestic demand contributed 105.8% to national economic growth, up by 11.5 percentage points from the level in 2010, while the contribution rate of final consumption stood at 51.6%, which is 10.1 percentage points higher than that in 2010.

In 2011, in spite of the fact that international economic patterns remained complicated and volatile and foreign exchange receipts and payments experienced large fluctuations, the foreign exchange administration departments managed to do a good job in achieving their major objectives and completing the tasks set out at the beginning of the year in accordance with the overall arrangements of the CPC Central Committee and the State Council by efficiently implementing the scientific outlook on development and accelerating the transformation of the concepts and methods of foreign exchange administration, while also promoting the facilitation of trade and investment, effectively placing greater priority on slowing down the exceedingly rapid increase in the surplus of foreign exchange settlement and sales by banks, actively guarding against and cracking down on irregular inflows of hot money, steadily promoting the reform of the verification and writing-off system, and improving foreign exchange reserves operations and management.

As the possibilities for 2012 unfold, the global economy is still floundering on a path toward recovery and, the international financial crisis continues to brew, with still considerable uncertainties in the flow of international capital. However, China is on the cusp of pivotal strategic opportunities, and the basic elements that support our balance of payments surplus remain unchanged. Predictably, China will maintain its balance of payments surplus, although the size of the surplus is likely to decrease, whereas there will be repeated fluctuations in cross-border capital flow risks.

The year 2012 is critical in the sense that it serves as a transition period for the implementation of the 12th Five-year Plan. The foreign exchange administration departments will fully implement the spirit advanced at the 17th CPC National Congress, at the third, fourth, fifth, and sixth plenary sessions of the 17th Central Committee, at the Central Economic Work Conference, and at the National Conference on Financial Work, follow the guidance of Deng Xiaoping Theory and the important thought of the "Three Represents", thoroughly implement the Scientific Outlook on Development, act upon the unified arrangements of the Party Central Committee and the State Council, uphold the working principle of "seeking progress while ensuring stability", adhere to the essential requirement of "financing serving the real economy", accelerate the transformation of the philosophy and methodology of foreign exchange management, strengthen monitoring and regulation of cross-border capital flows, deepen reforms in key areas, and help promote the steady and robust growth of our national economy.

A handwritten signature in black ink, consisting of several fluid, interconnected strokes, positioned centrally below the main text block.



Management of the SAFE



Mr. Yi Gang

Administrator, State
Administration of
Foreign Exchange
(July 2009 –)





Mr. Deng Xianhong
Deputy Administrator, State
Administration of Foreign
Exchange
(October 2004 –)



Mr. Fang Shangpu
Deputy Administrator, State
Administration of Foreign
Exchange
(June 2006 –)



Mr. Wang Xiaoyi
Deputy Administrator, State
Administration of Foreign
Exchange
(December 2007 –)



Mr. Li Chao
Deputy Administrator, State
Administration of Foreign
Exchange
(December 2008 –)



Mr. Yang Guozhong
Head of the Discipline Inspection
Group of the CPC Leadership, State
Administration of Foreign Exchange
(September 2011 –)



Mr. Huang Guobo
Chief Economist, State
Administration of Foreign
Exchange
(March 2008 –)



Ms. Han Yuting
Chief Accountant, State
Administration of Foreign
Exchange
(March 2008 –)

Major Functions and Organizational Structure of the State Administration of Foreign Exchange

I. Major Functions

1. To study and propose policy suggestions for reforming the foreign exchange administration system so as to prevent balance of payments risks and to promote an equilibrium in the balance of payments; to study policy measures to make gradual advances in the convertibility of the RMB under the capital account and the cultivation and development of the foreign exchange market; and to provide suggestions to and a foundation for the People's Bank of China to formulate policy on the RMB exchange rate.
2. To participate in the drafting of relevant laws, regulations, and departmental rules on foreign exchange administration, and to release and carry out those duties related to the regulatory documents.
3. To oversee the statistics and monitoring of the balance of payments and external credit and debt, to release relevant information according to the regulations, and to undertake related work with respect to the monitoring of cross-border fund flows.
4. To supervise and manage the state foreign exchange market; to undertake supervision and management of the settlement and sale of foreign exchange; and to cultivate and develop the foreign exchange market.
5. To supervise and check the authenticity and legality of foreign exchange receipts and payments under the current account according to the law; to implement foreign exchange administration under the capital account according to the law; to continuously improve management work in line with the process of convertibility of the RMB under the capital account; and to regulate management of overseas and domestic foreign exchange accounts.
6. To be in charge of implementing supervision and inspections of foreign exchange according to the law, and to punish behavior that violates the



foreign exchange administration.

7. To undertake operations and management of foreign exchange reserves, gold reserves, and other foreign exchange assets of the state.

8. To arrange development planning, standards, and criteria for IT-based foreign exchange administration and to organize their relevant implementation; to realize supervisory information-sharing with related administrative departments according to the law.

9. To participate in relevant international financial activities.

10. To undertake other matters as assigned by the State Council and the People's Bank of China.

II. Internal Departments

Apart from its Communist Party of China (CPC) Committee, the SAFE Head Office consists of 9 functional departments, including the General Affairs Department (the Policy and Regulation Department), the Balance of Payments Department, the Current Account Management Department, the Capital Account Management Department, the Supervision and Inspection Department, the Reserves Management Department, the Human Resources Department (also known as the Internal Auditing Department), the Science and Technology Department, and the Supervision Office.

General Affairs Department (Policies and Regulations Department): Carries out routine operational work, such as document management, meeting arrangements, management of confidential materials and archives, and work concerning security, confidentiality, emergency management, news releases, and so forth; exercises management of financial affairs, assets, and foreign affairs; studies significant issues regarding foreign exchange administration and makes policy recommendations; participates in the drafting of relevant laws, regulations, and departmental rules; conducts examinations of the legality of the regulatory documents and participates in the drafting of important comprehensive documents; and carries out relevant administrative responses to legal suits, administrative reconsiderations, and hearings.

Balance of Payments Department: Undertakes the design and implementation of the statistical systems for the balance of payments, foreign exchange receipts and payments, and foreign exchange settlement and sales, and prepares relevant statements; conducts monitoring, analysis, and early warnings of cross-border fund flows; exercises supervision and management of foreign exchange receipts and payments of banks and of the banks' own foreign exchange settlement and sales business; takes responsibility for supervision and management of the state foreign exchange market; and oversees the RMB exchange rate and provides the People's Bank of China (PBC) with recommendations and a basis for formulating RMB exchange-rate policies.

Current Account Management Department: Carries out supervision and management of foreign exchange receipts and payments under the current account, examination of the authenticity of foreign currency exchange, and supervision and management of foreign exchange accounts both at home and abroad; undertakes management of market access for the relevant foreign exchange businesses of insurance financial institutions and management of foreign exchange receipts and payments and foreign currency exchange; and draws up administrative regulations for the entry-exit quotas regarding the carrying and declaration of cash in foreign currencies, and so forth.

Capital Account Management Department: Carries out supervision and management of transactions under the capital account, foreign exchange receipts and payments, foreign currency exchange, and use of funds and foreign exchange accounts both at home and abroad; conducts the registration of direct investments, the management of foreign currency exchange, and the relevant statistical monitoring in accordance with the law; exercises relevant management of the short-term external debt, contingent liabilities, external claims, and so forth; undertakes management of the registration and statistical monitoring of all the requirements for the external debt; carries out management of market access for the relevant foreign exchange business of non-bank financial institutions other than insurance institutions and management of foreign exchange receipts and payments and foreign currency exchange; carries out registration and exchange management for foreign exchange receipts and payments related to cross-border investments in



securities or derivative transactions.

Supervision and Inspection Department: Carries out foreign exchange inspections, investigates and imposes penalties in accordance with the law on activities in violation of the foreign exchange administration regulations; participates in campaigns to combat underground money shops, assists the public security and judicial authorities in investigating illegal foreign exchange transactions, evasion of exchange controls, fraudulent purchases of foreign exchange, and other illegal foreign exchange cases; conducts inspections of the foreign exchange receipts and payments of institutions and individuals and of activities related to foreign exchange operations.

Reserve Management Department: Studies and proposes strategies, principles, and policy recommendations for the operation and management of the foreign exchange reserves and gold reserves, and draws up and implements overall operational proposals; supervises and inspects the operational status of entrusted reserve assets; carries out relevant coordination and cooperation with international institutions, participates in relevant international financial activities, and undertakes relevant work concerning informational exchanges and cooperation with Hong Kong SAR, Macao SAR, and Taiwan Province; and studies and draws up principles for the operation of other entrusted foreign exchange assets.

Human Resources Department (Internal Auditing Department): Carries out personnel work for the SAFE Head Office and its directly affiliated institutions according to the administrative authority; undertakes management of retirees of the SAFE and conducts internal audit activities as authorized.

Science and Technology Department: Draws up the science and technology development plan for foreign exchange administration, and carries out science and technology development work for the national foreign exchange administration system; studies and formulates standards and criteria for IT-based foreign exchange administration and organizes the relevant implementation; realizes supervisory information-sharing with the relevant administrative departments according to the law and takes responsibility for information security work for the SAFE.



Supervision Office: Under the leadership of the CPC Central Commission for Discipline Inspection and the CPC Leading Group of SAFE, and under the guidance of the Commission for Discipline Inspection of the PBC, the Supervision Office is responsible for discipline inspection and supervision of the organs of and the units directly affiliated with the SAFE, and assists the Commission for Discipline Inspection of the PBC and the Ministry of Supervision's Supervisory Bureau at the PBC to carry out discipline inspection and supervision of the SAFE branches.

SAFE CPC Committee: Under the leadership of the CPC Leading Group of the SAFE and under the guidance of the CPC Committee of the PBC, the SAFE CPC Committee is responsible for the work of the organs of and the Beijing units directly affiliated with the SAFE that is related to Party building, labor unions, the Communist Youth League, women, the United Front, and supporting the poor.

III. Affiliated Institutions

Four public service units are under the management of the SAFE, including the Central Foreign Exchange Business Center, the Information Center, the General Services Center, and the Editorial Office for *Foreign Exchange of China*.

Central Foreign Exchange Business Center (co-located with the Reserve Management Department): is responsible for the operation and management of China's foreign exchange reserves and gold reserves in accordance with the operational strategies and principles of China's foreign exchange reserves and, upon approval, the operations of the PBC's foreign exchange deposit reserves under entrustment, and so forth. It is also responsible for tracing, researching, and analyzing the international economic and financial situations, and providing decision-making support for reserves operations; developing the mode for asset management, medium and long-term strategies, and the short-term operational plan for operations and management of China's foreign exchange reserves and gold reserves, and organizing of implementation thereof; determining the overall risk management principles of reserves operations, establishing a risk management system and an internal control



system, and guarding against various risks; developing the principles and methods of accounting, and, upon approval, organizing the implementation thereof; carrying out trade clearing and account management for reserves operations; carrying out the entrusted operations and management of the reserves assets; expanding innovations in the utilization of foreign exchange reserves, and carrying out the business related to entrusted loans from the foreign exchange reserves; carrying out work related to coordination and cooperation among international institutions, participating in relevant international financial activities, and carrying out the work related to exchanges and cooperation with Hong Kong SAR, Macau, SAR and Taiwan Province; and researching and drafting other principles for the entrusted operations of foreign exchange assets.

Information Center (co-located with the Science and Technology Department): is responsible for preparing for the planning of informatization construction of the SAFE, and organizing the implementation thereof, and building, operating, maintaining, and managing the foreign exchange administration network and application system; collecting data related to the foreign exchange authorities in accordance with the law; carrying out standardization work in the field of foreign exchange administration; carrying out informatization construction and management of China's foreign exchange administration system; and carrying out the SAFE's information security work.

General Services Center: Formulates the procedures, rules, and regulations for the general logistics of the SAFE Head Office, and provides logistical services, document printing, asset management, communications, security and safeguards, reception services, medical and health care, and so forth for the Head Office.

Editorial Office for *Foreign Exchange of China Magazine*: is responsible for editing, publishing, and distributing the *Foreign Exchange of China Magazine*.

Organizational Chart of the SAFE Head Office and Affiliated Institutions, 2011

State Administration of Foreign Exchange

Functional Departments and the CPC Committee

General Affairs Department (Policies and Regulations Department)	Secretary Division General and Foreign Affairs Division Policy Research Division Regulations Division Press and Information Division Internal Finance Division Confidentiality and Archives Division Government Procurement Office
Balance of Payments Department	General Affairs Division Analysis and Forecast Division Balance of Payments Statistics Division Banking Supervision Division Exchange Rate and Market Division
Current Account Management Department	General Affairs Division Goods Trading Management Division Services Trading Management Division Supervision Division
Capital Account Management Department	General Affairs and Analysis Division Investment Management Division External Debt Management Division Capital Market Division
Supervision and Inspection Department	General Affairs Division Off-site Inspection and Internal Control Division Financial Institutions Inspection Division Non-Financial Institutions Inspection Division
Reserves Management Department	Operates in the same premises as the Central Foreign Exchange Business Center
Human Resources Department (Internal Audit Department)	General Affairs Division Personnel Division Training and Sector Arrangements Division Internal Auditing Division
Science and Technology Department	Operates in the same premises as the Information Center
Supervision Office	Disciplinary Office
SAFE CPC Committee	Executive Office Staff Union



State Administration of Foreign Exchange

Affiliated Institutions

Central Foreign Exchange Business Center	General Affairs Division	General Affairs Division Internal Finance Division Administration Division Government Procurement Office
	Strategic Allocation Division	Asset Allocation Division I Asset Allocation Division II Research Division
	Investment Management Division	Investment Division I Investment Division II Investment Division III Dealing Division
	SAFE Co-Financing	
	External Managers Division	External Division I External Division II Project Investment Division
	Risk Management Division	Risk Management Division Credit Analysis Division Compliance Division Legal Division
	Operation Division	Settlement Division Performance Analysis Division Accounting Division
	Information Technology Division	IT Support Division IT Application Division
	Human Resources/CPC Committee Internal Audit Division	Human Resources Division Internal Auditing Division CPC Committee Office
	Institutions in Foreign Countries	Huaan Company Huaxin Company New York Exchange Office Huaou Company Frankfurt Exchange Office
Information Center	General Affairs Division Planning Division Application and Development Division Data Management Division Technical Support Division Network Engineering Division Science and Technology Management Office	
General Service Center	General Affairs Division Fixed-Asset Management Division Security Division Internal Finance Office Documentation Service Office	
Editorial Office for <i>Foreign Exchange Administration of China Magazine</i>		



IV. Branch Network

The SAFE has set up branches or administrative offices in various provinces, autonomous regions, and municipalities directly under the Central Government, and in some cities with a sub-provincial status. In addition, the SAFE has established a number of central sub-branches and sub-branches in various cities and counties. These branches, central sub-branches, and sub-branches operate on the same premises as the local PBC branches and sub-branches. As of the end of 2011, the SAFE network was structured as follows:

Layers of Organization	Head Office	Branches (Administrative Offices)	Central Sub-branches	Sub-branches
Number of Institutions	1	36	307	518

Organizational Chart of the SAFE Branch Network, 2011

State Administration of Foreign Exchange

Branches (Administrative Offices)		Central Sub-branches	Sub-branches	
1	Tianjin Branch	General Affairs Division	1	0
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
Foreign Exchange Inspection Division				
2	Liaoning Branch	General Affairs Division	12	2
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
Foreign Exchange Inspection Division				

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Branches (Administrative Offices)		Central Sub-branches	Sub-branches	
3	Shanghai Branch	General Affairs Division	0	0
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
4	Jiangsu Branch	General Affairs Division	12	41
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
5	Shandong Branch	General Affairs Division	15	92
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
6	Hubei Branch	General Affairs Division	12	17
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
7	Guangdong Branch	General Affairs Division	19	65
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
		Foreign Exchange Business Office		
8	Sichuan Branch	Balance of Payments Division (General Affairs Division)	20	16
		Current Account Management Division		
		Capital Account Management Division		
9	Shaanxi Branch	Balance of Payments Division (General Affairs Division)	9	2
		Current Account Management Division		
		Capital Account Management Division		
10	Beijing Administrative Office	General Affairs Division	0	0
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		



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Branches (Administrative Offices)		Central Sub-branches	Sub-branches	
11	Chongqing Administrative Office	Balance of Payments Division (General Affairs Division)	8	2
		Current Account Management Division		
		Capital Account Management Division		
12	Hebei Branch	General Affairs Division	10	75
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division Foreign Exchange Inspection Division		
13	Shanxi Branch	Balance of Payments Division (General Affairs Division)	10	1
		Foreign Exchange Administration Division		
14	Inner Mongolia Branch	Balance of Payments Division (General Affairs Division)	11	7
		Current Account Management Division		
		Capital Account Management Division		
15	Jilin Branch	Balance of Payments Division (General Affairs Division)	8	2
		Current Account Management Division		
		Capital Account Management Division		
16	Heilongjiang Branch	General Affairs Division	12	14
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division Foreign Exchange Inspection Division		
17	Zhejiang Branch	Balance of Payments Division (General Affairs Division)	9	39
		Current Account Management Division		
		Capital Account Management Division		
18	Fujian Branch	General Affairs Division	7	45
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division Foreign Exchange Inspection Division		
19	Anhui Branch	Balance of Payments Division (General Affairs Division)	16	6
		Current Account Management Division		
		Capital Account Management Division		

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Branches (Administrative Offices)		Central Sub-branches	Sub-branches
20	Henan Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	17 16
21	Jiangxi Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	10 12
22	Hunan Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	13 3
23	Guangxi Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	13 7
24	Hainan Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	1 12
25	Guizhou Branch	Balance of Payments Division (General Affairs Division) Foreign Exchange Administration Division	8 0
26	Yunnan Branch	Balance of Payments Division (General Affairs Division) Current Account Management Division Capital Account Management Division	15 20
27	Tibet Branch	Foreign Exchange Administration	5 0
28	Gansu Branch	Balance of Payments Division (General Affairs Division) Foreign Exchange Administration Division	13 1
29	Ningxia Branch	Balance of Payments Division (General Affairs Division) Foreign Exchange Administration Division	4 1
30	Qinghai Branch	Balance of Payments Division (General Affairs Division) Foreign Exchange Administration Division	2 1

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Branches (Administrative Offices)		Central Sub-branches	Sub-branches	
31	Xinjiang Branch	Balance of Payments Division (General Affairs Division)	14	4
		Current Account Management Division		
		Capital Account Management Division		
32	Shenzhen Branch	General Affairs Division	0	0
		Balance of Payments Division		
		Current Account Management Division		
		Capital Account Management Division		
33	Dalian Branch	Balance of Payments Division (General Affairs Division)	1	3
		Current Account Management Division		
		Capital Account Management Division		
		Foreign Exchange Inspection Division		
34	Qingdao Branch	Balance of Payments Division (General Affairs Division)	0	6
		Current Account Management Division		
		Capital Account Management Division		
35	Xiamen Branch	Balance of Payments Division (General Affairs Division)	0	0
		Current Account Management Division		
		Capital Account Management Division		
36	Ningbo Branch	Balance of Payments Division (General Affairs Division)	0	6
		Current Account Management Division		
		Capital Account Management Division		



China's Macro Economy

National economic development maintained fair momentum, and the GDP growth rate was relatively rapid. In 2011, facing the changing international situation, new circumstances, and new issues in the operation of the domestic economy, the Party Central Committee and the State Council, while focusing on scientific development and transforming the mode of development, continued to adopt a proactive fiscal policy and a steady monetary policy, constantly strengthening and improving macro control. As a result, the national economy continued to develop in a direction consistent with the expectations of the macro controls, and a good beginning was achieved for social and economic development during the 12th Five-year Plan Period. In 2011, GDP reached RMB47 trillion, up 9.2% from that in 2010 based on comparable prices.

Industrial production maintained steady and relatively rapid development, and the profitability of enterprises continued to improve. In 2011, the industrial value added of enterprises above a designated size across the nation rose 13.9% year on year, down 1.8 percentage points from 2010. Specifically, the value during Q1, Q2, Q3, and Q4 rose by 14.4%, 14%, 13.8%, and 12.8% respectively on a year-on-year basis. During the period from January to November 2011, industrial enterprises above a designated size throughout the country achieved total profits of RMB4.6638 trillion, an increase of 24.4% year on year, representing a drop in the growth rate by 25 percentage points from the same period of 2010.

Investment maintained relatively rapid growth, and market sales maintained steady growth. In 2011, annual total investment in fixed assets reached RMB30.1933 trillion, an increase of 23.8% on a year-on-year basis, similar to the growth rate in 2010. The real, inflation-adjusted growth rate was 16.1%. Total revenue from retail sales of consumer goods was RMB18.1226 trillion, an increase of 17.1% on a year-on-year basis; the real, inflation-adjusted growth rate was 11.6%, a drop by 3.2 percentage points from 2010.

Market prices went up on a year-on-year basis, but after July, year-on-year



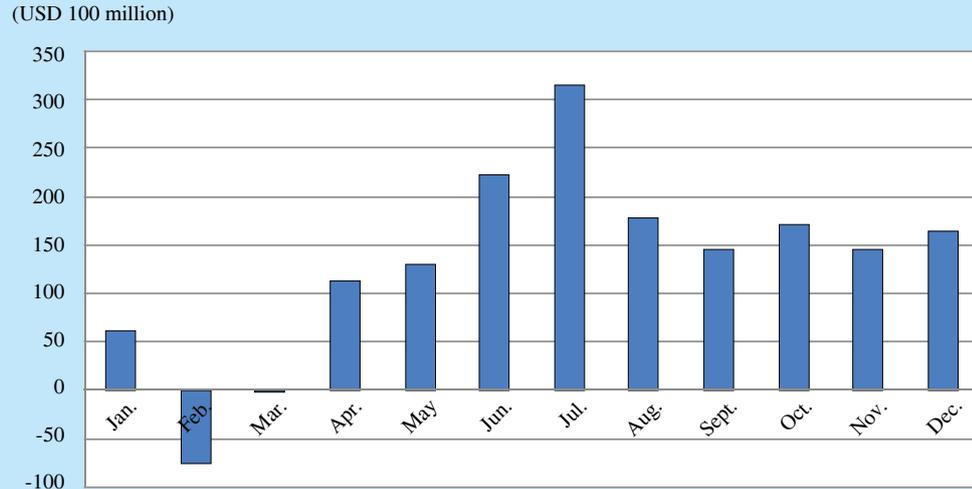
growth continued to drop. In 2011 the CPI increased by 5.4% on a year-on-year basis. In urban and rural areas, the CPI increased by 5.3% and 5.8% respectively. Prices of food increased by 11.8%, cigarettes, liquor, and daily necessities 2.8%, apparel 2.1%, home appliances and repair services 2.4%, health care and personal care products 3.4%, transportation and communications 0.5%, entertainment, educational products, and services 0.4%, and residence 5.3%. In July, the CPI growth rate increased to 6.5%, a peak for the year, followed by consecutive monthly drops.

The income of urban and rural residents increased steadily, with the growth rate higher in the rural areas than in the urban areas. In 2011, the per capita total income of urban residents reached RMB23979, an increase of 14% year on year. Specifically, the per capita disposable income of urban residents increased by 14.1% year on year over that in the previous year, reaching RMB21810, with an actual increase of 8.4% after adjusting for inflation; the per capita net income of rural residents increased by 17.9% year on year, reaching RMB6977, with an actual increase of 11.4% after adjusting for inflation.

The money supply slowed down steadily, and new deposits and loans decreased slightly. At the end of 2011, broad money (M2) posted a balance of RMB85.2 trillion, a rise of 13.6% over that at year-end 2010, with the growth rate declining 6.1 percentage points year on year; narrow money (M1) increased by 7.9% to reach RMB29 trillion, with the growth rate declining 13.3 percentage points; currency in circulation (M0) increased by 13.8% to reach RMB5.1 trillion, with the growth rate declining by 2.9 percentage points. Outstanding loans of financial institutions in domestic and foreign currencies amounted to RMB58.2 trillion, an increase of RMB7.3 trillion as compared with the beginning of 2011, but a RMB1.1 trillion decrease in growth as compared with the previous year; outstanding deposits in domestic and foreign currencies totaled RMB82.7 trillion, an increase of RMB9.4 trillion as compared with that at the beginning of the year, but a decrease in growth of RMB2.7 trillion as compared with the previous year.

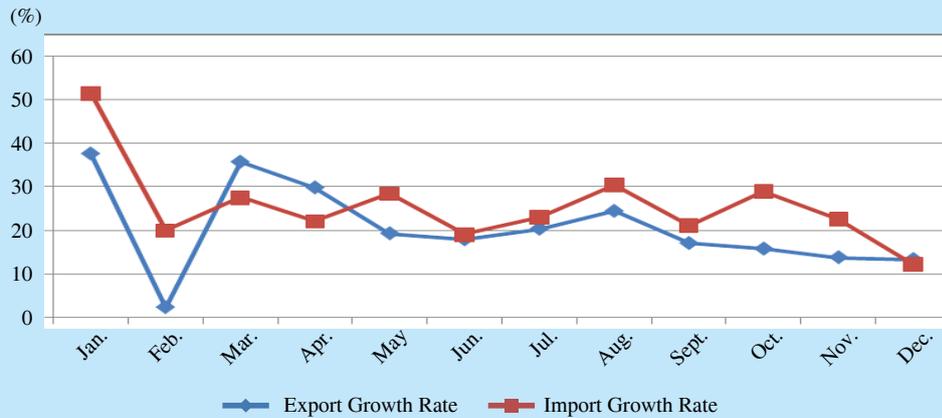
Imports and exports continued to grow relatively rapidly, and the foreign trade surplus continued to narrow. In 2011, the annual value of imports and exports totaled USD3.6421 trillion, an increase of 22.5% year on year. The

total value of exports increased by 20.3% year on year to reach USD1.8986 trillion, while the total value of imports increased by 24.9% year on year to reach USD1.7435 trillion. The trade surplus was USD155.1 billion, a drop by USD26.4 billion from the 2010 level.



Source: National Bureau of Statistics.

Figure 1 Trade Surplus on a Monthly Basis in 2011



Source: National Bureau of Statistics.

Figure 2 China's Import and Export Growth Rates in 2011



Box 1 Strengthening Supervision of Cross-Border Capital Flows

A priority of foreign exchange administration is to strengthen supervision of cross-border capital flows. In recent years, the foreign exchange authorities have maintained risk limits and have continuously strengthened and improved supervision of cross-border capital flows in domestic and foreign currencies, and while adhering to balanced management, they have focused on guarding against inflows of hot money.

In 2011, in light of the new situation and the increased fluctuations in China's foreign exchange receipts and payments, the foreign exchange authorities took advantage of their "early insights", and made it a priority of foreign exchange administration to slow down the overly rapid increase in the surplus of foreign exchange settlement and sales by banks and foreign exchange reserves, combined removing and blocking measures, focused on the priorities, took multiple simultaneous measures, carried out comprehensive policies, and consequently effectively guarded against the impact of cross-border capital flows. The main measures include:

First, initiating pre-arranged policies to cope with the large-scale cross-border capital inflows in a timely and decisive manner. In November 2010 and March 2011, the foreign exchange authorities applied such pre-arranged policies on two occasions, strengthened administration of the foreign exchange business of the banks' foreign exchange settlement and sales positions, foreign exchange collections and settlement for export, and short-term external debt, and in 2011 further adjusted downward the total scale of the short-term external debt quotas of domestic financial institutions. By taking advantage of pricing instruments, the foreign exchange authorities guided the banks to regulate supply and demand on the foreign exchange market by improving the listed exchange rate pricing.

Second, focusing on the priorities and continuing to rigorously crack down on arbitrage capital, such as hot money. In recent years, the foreign exchange

Box 1 (continued)

authorities have improved the foreign exchange inspection methods and the accuracy and effectiveness of cracking down on hot money. Efforts have been made to adhere to idea of "seizing the big and freeing the small", focusing on financial institutions and large enterprises to carry out special inspections, such as those on foreign exchange settlement of capital and short-term external debt, and concentrating efforts to investigate major cases of activities in violation of the regulations on foreign exchange administration. In 2011, a total of 3488 cases involved in activities in violation of the foreign exchange laws and regulations were investigated, and a total of RMB503 million was collected in penalties and confiscations, a more than onefold increase compared with that in 2010. Major achievements were made in cooperation with the public security departments to crack down on illegal and criminal foreign exchange activities. A total of 39 illegal and criminal cases, such as illegal banks and illegal sale and purchase of foreign exchange, were exposed, involving a total of RMB71.7 billion and bringing the number of cases to a record high. Efforts were stepped up to circulate information on irregular activities by market players. In July 2011, information on the punishment of some enterprises and individuals in handling foreign exchange business in violation of the foreign exchange administration regulations was circulated to further deter activities in violation of the laws and regulations.

Third, adhering to a combination of the removing and blocking measures to properly guide orderly cross-border flows. While guarding against the inflow of hot money, the foreign exchange authorities continued to support the facilitation of trade and investment, continuously simplified and finally cancelled the compulsory foreign exchange settlement and sales system, encouraged foreign exchange purchases and payments for authentic demands for trade and investment, offered window guidance to banks requiring heavy overseas financing, and encouraged enterprises to deposit export revenue overseas and to meet the normal demands of market players in holding and utilizing foreign exchange.

Box 1 (concluded)

Pilot measures for domestic securities investments by RQFIIs were formulated and issued jointly with the relevant departments to further boost the opening-up of China's capital market.

Fourth, taking multiple measures to improve analytical capabilities and to analyze and oversee cross-border capital flows in domestic and foreign currencies. The foreign exchange authorities strengthened statistics, monitoring, and early warnings on the balance of payments, gathered statistics and carried out monitoring of RMB cross-border capital flows, established an overall statistical system for the banks' trade financing, and provided a comprehensive overview of the cross-border capital flow situation, in an effort to correctly guide market expectations. The foreign exchange authorities gave play to cross-departmental collaborations, strengthened information sharing and policy coordination, and created synergy to suppress the inflows of hot money.

In general, foreign exchange policy adjustments focusing on reducing the surplus played an active role in guarding against the impact of cross-border capital flows and safeguarding the economic and financial security of the country. For instance, the lower limit for the banks' foreign exchange settlement and sales positions was raised twice since November 2010. The foreign exchange authorities required the banks to increase their foreign exchange positions in advance, which not only relieved the pressure on the central bank to purchase foreign exchange for that period and reduced the currency mismatch risks, but also allowed the process to proceed smoothly. Since the fourth quarter of 2011, the banks have proactively increased their positions and have avoided any significant market fluctuations that might have occurred. In the second half of 2011, in particular since the fourth quarter, the foreign exchange situation in China showed a notable change in that pressures from net inflows of cross-border capital were somewhat alleviated and the equilibrium in the balance of payments was further improved.



World Economic and Financial Situations

Global economic growth slowed down across-the-board. In 2011, the major developed economies, bogged down by debt and the impact of external factors, witnessed a notable slowdown in their economic growth. The US economy, influenced by the tight fiscal policy, high oil prices, and issues in the industrial chain as a result of the Japanese earthquake, grew by only 1.7% for the entire year. The Euro zone economies, negatively affected by the European debt crisis and the tight fiscal policies, weakened drastically after expanding rapidly in the first quarter of 2011; growth for the entire year was 1.5%. The Japanese economy, due to the impact of the earthquake, fell into negative growth in the first half of 2011; after rebounding in the third quarter, it continued to decline; as a result, it grew by -0.7% for the entire year of 2011. Impacted by the deteriorating external environment and the tightened domestic monetary policies in the first half of 2011, there was an across-the-board slowdown in the economic growth of the major emerging economies.

The European debt crisis continued to spread and intensify. In 2011, the European sovereign debt crisis continued to involve and spread, with Greece facing the risk of bankruptcy and reorganization, Portugal being forced to accept a bailout from the European Union, and major economies such as Italy and Spain also being affected; the yield rates of 30-year Italian and Spanish government bonds surged, at one point even exceeding 7%. The European Union, the IMF, and the European Central Bank introduced a series of measures for fiscal and financial stability, including reaching a consensus at the European Summit on strengthening the crisis bailout mechanism within the Euro zone and reaching a new fiscal covenant signed by 23 European nations with a view to constraining the fiscal policies of the various countries. But from an overall perspective, the European bailout efforts were not as powerful as the market had expected and failed to effectively stop the crisis from spreading. Sovereign and financial system risks became intertwined with one another and further escalated and deteriorated.



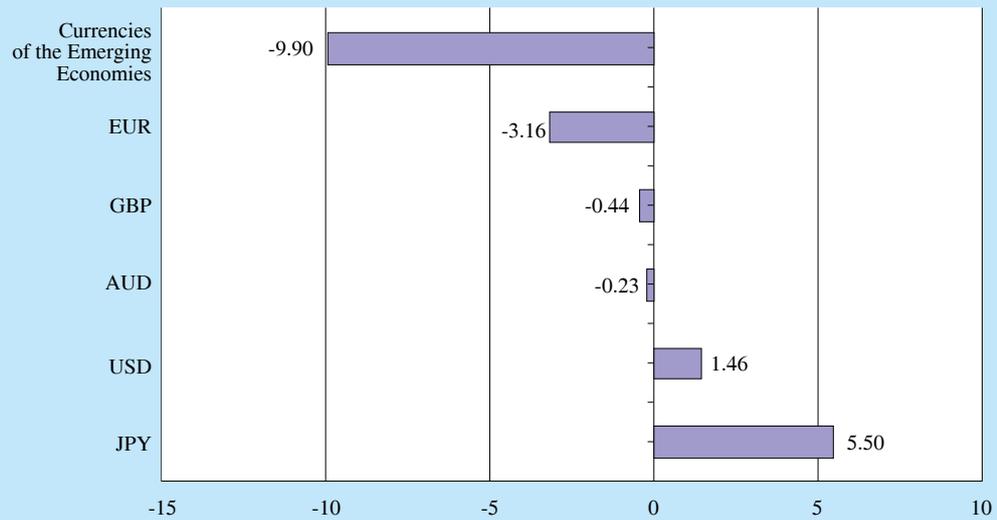
Global fiscal policies tightened across-the-board. With the European and US governments all heavily in debt, the major economies were forced to rectify their finances and tighten their financial policies in an all-around way. As a result, the US fiscal deficit for the 2011 fiscal year fell by 0.2 percentage point to 8.7% of its gross domestic product (GDP) during the same period. However, the fiscal deficits in Greece and Ireland remained as high as 10.7% and 10.1% of their respective GDPs, still showing a high risk of facing sovereign debts.

The various countries adopted different monetary policies. There were noteworthy differences between the developed and emerging market economies in terms of their monetary policy preferences. On the one hand, the developed economies generally relaxed their monetary policies while tightening their finances as a countermeasure against the economic slowdown. The US Federal Reserve promised to maintain its zero-interest target at least until the end of 2014 and actually loosened the money supply by selling out short-term government bonds and buying in long-term bonds. The European Central Bank further eased monetary policy by lowering the benchmark interest rates, buying in bonds, increasing liquidity supply, and so forth. On the other hand, in order to regulate and control commodity prices, at the beginning of 2011, the emerging market economies began to tighten money supply; in the second half of the year, with the policy effects starting to manifest themselves, some economies including South Korea and Brazil began to ease their monetary policies.

Global CPIs first went up and then gradually came down. In the first half of 2011, driven by higher prices of resources and foods and the easing of the monetary policies of the developed economies, commodity prices in the major economies, especially the emerging market economies, maintained an upward trend; in the second half of the year, as a result of falling resource and food prices, global inflationary pressures eased. At the end of 2011, the consumer price indices (CPIs) of the US and the Euro zone had increased by 3.0% and 2.7% respectively from 2010.

The foreign exchange markets experienced violent fluctuations. In the second half of 2011, the Federal Reserve continued to implement a second round of a quantitative easing monetary policy; backed by the advantages in the interest

rate differences, other major non-US dollar currencies continued to strengthen against the US dollar. In the second half of 2011, the European debt crisis rapidly deteriorated. With an intensifying market risk-aversion sentiment, the policies of the other major economies were slightly eased, the advantages of non-US dollar currencies in terms of interest rate differences diminished, and the exchange rate of the US dollar rebounded. In 2011, the US exchange rate index increased slightly by 1.5%, the exchange rate between the euro and the US dollar decreased by 3.2%, and that between the Japanese yen and the US dollar increased by 5.5%.



Note: The exchange rates of the euro, sterling, the emerging market currencies, the Japanese yen, and the Australian dollar are all against the US dollar, whereas the performance of the US dollar is calculated according to the DXY US Dollar Index. The performance of each of the major currencies is represented by the percentage change in its exchange rate compared with that at the end of the last year.

Figure 3 The Exchange Rates of the Major Currencies in 2011 (%)



Drastic fluctuations in international financial markets. In 2011, due to the impact of the global economic slowdown and the intensification of the European and US debt crises and so forth, there were drastic fluctuations in international financial markets. Sentiments of investment risk-aversion continued to push up the prices of "safe" assets such as government bonds in the US and Germany and other countries with high credit ratings. At the same time, the prices of risk assets fluctuated drastically, and in mid-2011, the major stock markets plunged. At the end of 2011, the S&P 500 Index in the US remained largely unchanged compared with the end of 2010, while the Frankfurt DAX Index had decreased by 14.7%.

Prices of international bulk commodities hit new highs and then plunged. In the first half of 2011, due to the influence of a continuously weakening US dollar and the turmoil in Middle East and North Africa, the prices of bulk commodities such as crude oil increased across-the-board; and in the second half of 2011, with the US dollar strengthening and global economic growth slowing down, the prices of various bulk commodities fluctuated downwards in succession. In 2011, the price of crude oil in the international market closed at USD98.8 per barrel, an increase of 8.2% for the whole year. Gold prices set a record high of USD1900.2 per ounce in September 2011 but declined to USD1563.7 per ounce by the end of 2011, marking an increase of 10.1% for the whole year.

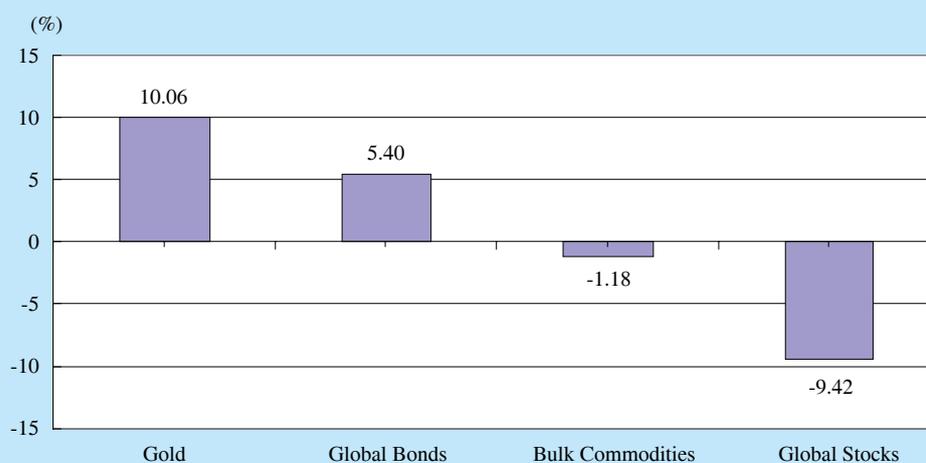
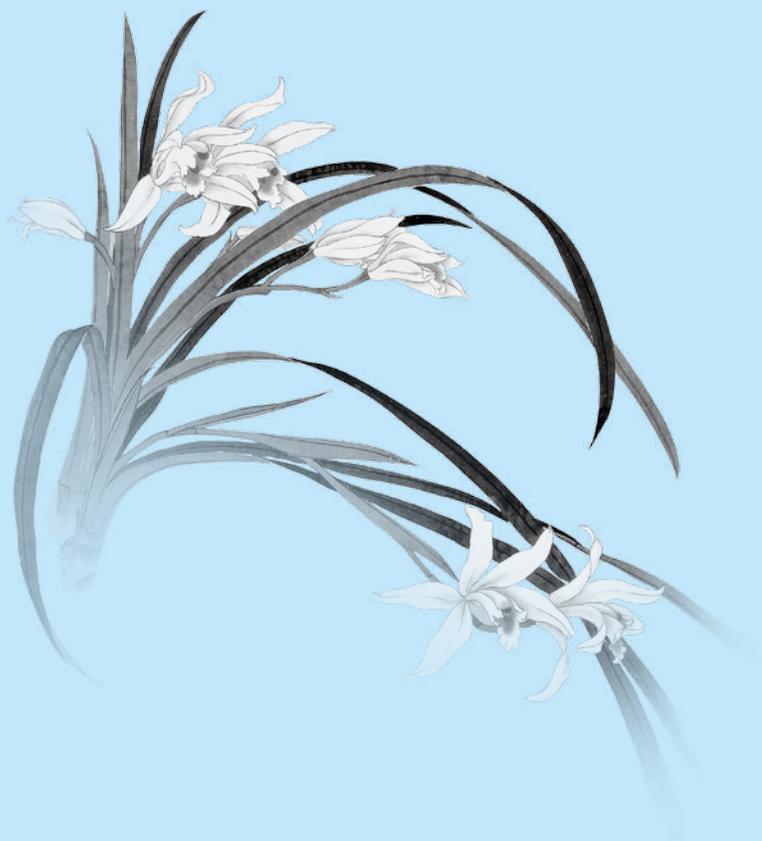


Figure 4 Yield Rates of Various Assets in USD in 2011



Table 1 Typical Market Index Performance of Various Assets in 2011

	Year-beginning Level	Year-end Level	Year High	Year Low	Total Annual Yields (%)
MSCI Global Stock Index	330.64	299.51	357.72	272.08	-9.42
Barclays Global Bond Integrated Revenue Index	397.25	418.70	418.70	392.93	5.40
S&P-Goldman Sachs Commodity Futures Revenue Index	4943.40	4885.30	5775.30	4370.00	-1.18
Spot Price of Gold	1420.78	1563.70	1900.23	1313.93	10.06





The Foreign Exchange Administration Situation

China's Balance of Payments Position

I. Basics in the Balance of Payments

In 2011, China's balance of payments continued to post a twin surplus. Specifically, the surplus under the current account totaled USD201.7 billion, a decrease of 15% compared with the previous year, whereas the surplus under the capital and financial account totaled USD221.1 billion, a decrease of 23%. By the end of 2011, China's foreign exchange reserves reached USD3181.1 billion, a rise of USD333.8 billion over that at the end of 2010.

(I) The surplus under the current account experienced a modest decline

The trade in goods surplus declined slightly. According to the statistical coverage of the balance of payments, in 2011 China's goods exports amounted to USD1903.8 billion, an increase of 20%, whereas imports reached USD1660.3 billion, an increase of 25%. The trade in goods surplus amounted to USD243.5 billion, a drop of 4%.

Trade in services registered a dramatically increased deficit. In 2011, receipts of trade in services reached USD182.8 billion, a rise of 33%, whereas payments reached USD238.1 billion, a rise of 23%. The deficit totaled USD55.2 billion, a rise of 77%. The ever-increasing deficits under the items of transportation, tourism, insurance, and royalties and licensing fees were the major contributing factors to the dramatic increase in the deficit of trade in services.

The deficit in income decreased. In 2011, receipts in income reached USD144.6 billion, a rise of 2%, whereas payments were USD156.5 billion, a drop of 7%. The deficit reached USD11.9 billion, a drop of 54%.

The surplus under current transfers declined. In 2011, receipts under current transfers reached USD55.6 billion, a rise of 12%, whereas payments reached USD30.3 billion, a twofold increase. The surplus under current transfers

reached USD25.3 billion, a decrease of 38%.

(II) The surplus under the capital and financial account decreased

In 2011, inflows under the capital and financial account reached USD1398.2 billion, a rise of 20%, whereas payments reached USD1177.2 billion, a rise of 34%. The surplus under the capital and financial account reached USD221.1 billion, a decrease of 22%.

The surplus in direct investments declined moderately. In 2011, the surplus in direct investments reached USD170.4 billion, a drop of 8%. Specifically, net outflows of China's overseas direct investments reached USD49.7 billion, a drop of 14%, whereas net inflows of foreign direct investments in China approached USD220.1 billion, a drop of 10%. Notwithstanding that the decreasing size of net inflows of foreign direct investments in China was smaller than that of the net outflows of overseas direct investments, the surplus of direct investments decreased somewhat due to the greater basic value of the net inflows.

The surplus in portfolio investments declined. In 2011, the surplus in portfolio investments reached USD19.6 billion, a drop of 18% from 2010, of which the net flows back of portfolio investment assets amounted to USD6.2 billion, a drop of 182%; and the surplus in China's portfolio investment liabilities reached USD13.4 billion, a drop of 58%.

The surplus in other investments experienced a drastic decline. In 2011, the surplus in other investments reached USD25.5 billion, a drop of 65% from 2010. Specifically, the deficit in the assets of other investments reached USD166.8 billion, an increase of 43%, whereas the surplus in the liabilities of other investments reached USD192.3 billion, an increase of 2%.

(III) Reserves assets continued to increase

After adjusting for changes in non-transaction values (valuation effects) such as exchange rates and prices, in 2011, China's international reserve assets increased by USD387.8 billion, an 18% annual decline compared with 2010. Specifically, foreign exchange reserves assets registered a net increase of USD384.8 billion, an annual decline by USD84.7 billion compared with 2010.

SDRs and the reserve position in the International Monetary Fund registered a net increase of USD2.9 billion.

(IV) Net errors and omissions on the debit side

In 2011, net errors and omissions reached USD35 billion on the debit side, accounting for 0.98% of the combined value of exports and imports of goods based on the balance of payments statistical coverage. The ratio is well within the internationally accepted standards.

II. Outlook for the Balance of Payments

The year 2012 is likely to see a slowdown in the global economic recovery and international capital flows will continue to be haunted by uncertainties. Debt-ridden governments in the developed world will continue to implement fiscal austerity measures, often sacrificing economic growth. Meanwhile, the major developed economies, especially the US and Europe, will keep their loose monetary policies in place and a foundation for ample global liquidity will continue to exist, even though international financial regulations will be tightened. The European debt crisis is likely to spread to other heavily indebted countries in the Euro zone. This, combined with the intertwined undercurrents of banking risks and sovereign debt risks and such destabilizing elements as geopolitical events, will very likely arouse risk-aversion sentiments throughout the world, resulting in huge fluctuations in cross-border capital flows.

As for China, in 2012, the national economy should be able to maintain steady and robust development, with a greater contribution from endogenous economic growth. Although the growth objective for the entire year is less ambitious, the long-term growth drivers of industrialization and urbanization will ensure a good year ahead. To some extent, both the quality and efficiency of China's economic growth will be upgraded. As the transformation of economic growth patterns and the adjustment of economic structures are being accelerated, the contribution of domestic demand to economic growth will further increase and nationwide price levels will likely decline. At the same time, China will make further efforts to boost consumer demand, promote imports, and implement the "going global" strategy.



In sum, it can be predicted that in 2012, there will continue to be a surplus in China's balance of payments, although the amount of the surplus will be substantially reduced. There are no short-term solutions to the structural problems plaguing the developed countries, neither is there a way to shield the international economy and finance from continuous turbulence. Therefore, China faces the risk of repeated fluctuations in cross-border capital flows.





China's International Investment Position

The State Administration of Foreign Exchange has been preparing and releasing China's international investment position on a yearly basis since 2004, then on a quarterly basis since 2011. As of 2004, China's international investment position has been characterized by the following:

I. External financial assets have been moving up and focusing on foreign exchange reserves

During the seven years from 2004 until 2011, China's external financial assets increased at an annual average rate of 26%. By the end of 2011, the stock of China's external financial assets reached USD4.7182 trillion, an increase of 15% over 2010. With respect to their composition, reserves assets amounted to USD3.2558 trillion (accounting for 69% of the total), foreign direct investments USD364.2 billion (8%), portfolio investments USD260 billion (6%), and other investments USD838.2 billion (18%).

External financial assets were centralized in the monetary authorities and focused on foreign exchange reserves. The considerable reserves assets mainly originated from the accumulation over the years of the "twin surplus" under the current and capital account. Maintaining sufficient foreign exchange reserves is of great significance to ensure international liquidity and to safeguard national economic and financial security. However, the low proportion of foreign exchange funds employed in other forms also indicates that China still has a great potential to expand its foreign investment channels.

II. External financial liabilities have been increasing, based on inbound foreign direct investments

China's external financial liabilities have been increasing rapidly from USD652.7 billion at the end of 2004, and at an average annual rate of 24%. By the end of 2011, they reached USD2.9434 trillion, a 21% year-on-year increase. Based on their composition, inbound foreign direct investments totaled USD1.8042 trillion (accounting for 61% of the total), portfolio investments stood at USD248.5 billion (9%), and other investments were

USD890.7 billion (30%).

External financial liabilities were centralized in the private sectors and based on inbound foreign direct investments featuring long-term operations, high stability, and less exposure to short-term impacts.

III. External financial net assets have increased and national economic strength has grown

The size of China's external net assets recorded an average annual growth rate of 30%, from USD276.4 billion at the end of 2004 to USD1.7747 trillion in late 2011. Because external liabilities outpaced external assets, in 2011, the growth rate of external net assets declined to 5%. According to the latest ranking of the International Monetary Fund (IMF), in 2010, China was the world's largest net capital exporter as well as the world's second largest (after Japan) net creditor. China has become a significant emerging force in the supply of international capital playing a vital role in stabilizing the international financial turbulence. However, external assets have been in government departments whereas external liabilities have been in the private sectors, and thus to a certain extent, China's external financial assets and liabilities were mismatched.



Box 2 The Compulsory Foreign Exchange Settlement and Sales System Has Been Retired from the Stage of History, and Enterprises and Individuals May Now Keep Foreign Exchange Income on Their Own

In general, the Compulsory Foreign Exchange Settlement and Sales System refers to the administrative arrangement whereby foreign exchange income obtained by residents shall be sold to financial institutions designated by the State and foreign exchange to be utilized shall be purchased from financial institutions designated by the State. The residents do not have the autonomy to keep and utilize the foreign exchange. This system is mostly adopted by economies with shortage of foreign exchange resources.

During the planned economy period, due to the shortage of foreign exchange, China implemented strict mandatory planning management of foreign exchange receipts and payments. Since the reform and opening up, in order to adapt to the requirements for China's establishment of a socialist market economy system, the reform of the foreign exchange administration system has been advanced in an orderly manner, residents' autonomy to utilize foreign exchange has been steadily expanded, and the level of trade and investment facilitation has been continuously improved. In January 1994, China cancelled the examination and approval procedures for foreign exchange utilization under the current account, such as enterprise imports, and began to allow enterprises to directly purchase foreign exchange at designated foreign exchange banks upon the strength of valid documents. In December 1996, China announced realization of current account convertibility and lifted the restrictions on overseas payments and transfers under the current account; however, the foreign exchange from sources such as enterprise export income in principle was still to be sold to the designated foreign exchange banks.

Since entry into the WTO, China's foreign economy has developed rapidly and the principal contradiction in its balance of payments has gradually changed from the past shortage of foreign exchange to an overly rapid increase in foreign exchange reserves. From 2002 to 2011, China's foreign exchange reserves increased by



Box 2 (continued)

nearly USD300 billion annually, 12 times the annual increment from 1994 to 2001. Consistent with the changing situation and the actual requirements of the market players, by improving management of the opening of foreign exchange accounts and management on the basis of limits, from 2001, China has gradually expanded the autonomy of enterprises to retain foreign exchange.

First, relaxing conditions for enterprises to open foreign exchange accounts and to retain foreign exchange. In 2001, enterprises that satisfied conditions such as their foreign exchange receipts from exports during the year exceeding the equivalent of USD 2 million and the foreign exchange payments during the year exceeding the equivalent of USD 0.2 million were allowed to open foreign exchange settlement accounts to retain their foreign exchange income from matters such as export of goods and trade in services within a certain limit, subject to the approval of the foreign exchange authorities. In 2002, restrictions on account opening were lifted, and all enterprises with the right to engage in foreign trade operations or enterprises that had foreign exchange revenue under the current account were allowed to open foreign exchange accounts under the current account upon the approval of the foreign exchange authorities. In 2006, the ex-ante approval procedures for account opening were cancelled, and the enterprises were then allowed to open foreign exchange accounts under the current account directly with the banks without the approval of the foreign exchange authorities.

Second, raising the limits on the amount of foreign exchange allowed to be retained in the foreign exchange accounts. In 2002, the limit was 20% of the enterprises' foreign exchange revenue under the current account during the last year. In 2004, the limit was raised to 30% or 50%. In 2005, the limit was further raised to 50% or 80%. In 2006, the original method whereby the limit was ratified only on the basis of the revenue was changed, and the limit was ratified on the basis of the enterprises' sum of 80% of the foreign exchange revenue under the current account and 50% of the foreign exchange payments under the current account during the last year. Thus, the limit on the amount of foreign exchange

Box 2 (concluded)

that may be retained by the enterprises was further raised. In 2007, management of the accounts on the basis of such limits was cancelled and enterprises were allowed to keep foreign exchange on their own based on their operating needs.

In 2008, the amended *Regulations of the People's Republic of China on Foreign Exchange Administration* expressly provided that enterprises and individuals may keep foreign exchange in accordance with the relevant provisions or may sell foreign exchange to banks. Since 2009, in order to further promote trade and investment facilitation and to improve policy transparency, the foreign exchange authorities have energetically sorted out the regulations and have announced that a total of over 400 normative documents concerning foreign exchange administration have been repealed or invalidated. The normative documents regarding compulsory foreign exchange settlement and sales were repealed, invalidated, or amended. At present, all policies and regulations concerning compulsory foreign exchange settlement and sales are no longer in effect and in practice are no longer implemented.

Overall, the Compulsory Foreign Exchange Settlement and Sales System, as an administrative arrangement during the period when there was a shortage of foreign exchange, played an important role in supporting the development of the real economy and in safeguarding China's economic and financial security. As the foreign economy developed, the foreign exchange authorities timely adjusted and abolished the Compulsory Foreign Exchange Settlement and Sales System, allowing the concept and purpose of foreign exchange administration to keep up with the times and to serve the overall situation of economic development. In the future, foreign exchange administration will maintain the risk limits, further promote trade and investment facilitation, and actively serve the development of the real economy.



China's External Debt

As of the end of 2011, the amount of China's outstanding external debt (excluding that of Hong Kong SAR, Macao SAR, and Taiwan Province) reached USD694.997 billion, an increase of 26.61% year on year. Specifically, the outstanding registered external debt totaled USD445.797 billion, an increase of 31.99% year on year; the balance of trade credit between enterprises totaled USD249.2 billion, an increase of 17.99% year on year. With respect to the terms, the amount of outstanding long and medium-term external debt (with the remaining term) was USD194.096 billion and that of short-term external debt (with the remaining term) was USD500.901 billion.

In 2011, the changes in China's external debt showed the following features:

First, throughout the year, the external debt displayed an increasing trend. In particular, there was a rapid increase in the first three quarters, with the increment decreasing slightly in the fourth quarter compared with the previous quarter. From the first to the fourth quarter of 2011, the external debt balance increased by 6.8%, 9.7%, 8.5%, and -0.31% respectively compared with the previous quarters.

Second, the scale of China's total external debt maintained a drastically rising momentum, which mainly can be attributed to the rapid growth in the outstanding external debt of Chinese-funded financial institutions and foreign-funded enterprises as well as in the balance of trade credit between enterprises. At the end of 2011, the total scale of the external debt had increased by 26.61% on a year-on-year basis. Specifically, the outstanding external debt of Chinese-funded financial institutions and foreign-funded enterprises as well as the balance of trade credit between enterprises increased by 56.62%, 24.44%, and 17.99% respectively over that at the end of 2010. Their contribution rates to the growth in the total scale of the external debt were 52.46%, 18.34%, and 26.02% respectively. The total of these three items account for 96.82% of the external debt. The increase in the external debt of Chinese-funded financial institutions was mainly due to the increase in deposits by non-residents and the increase in the external debt under trade credit was mainly due to import and export enterprises (e.g., long-term letters



of credit and overseas agency payments). Meanwhile, lending by overseas shareholders was the main contributor to the rise in the external debt of foreign-funded enterprises.

Third, the short-term external debt grew rapidly, which mainly can be attributed to the rapid growth in the outstanding short-term external debt of Chinese-funded financial institutions and to the balance of trade credit between enterprises. As of the end of 2011, the outstanding short-term debt (residual maturity) increased by 33.33% compared to that at the end of 2010, which was 7 percentage points higher than the overall growth rate of the external debt. Specifically, the increases in the outstanding short-term external debt of Chinese-funded financial institutions and in the balance of trade credit between enterprises together contributed to 92.7% of the increase in the outstanding short-term external debt.

Fourth, net inflows under the outstanding long and medium-term external debt witnessed a declining trend. In 2011, the new long and medium-term external debt amounted to USD44.447 billion, an increase of 5.39% on a year-on-year basis; repayment of the principal totaled USD33.165 billion, an increase of 22.01%; and interest payments totaled USD2.275 billion, a decrease of 24.34%. In 2011, net inflows under the outstanding long and medium-term external debt totaled USD9.007 billion, a decrease of 24.85% on a year-on-year basis.

Initial calculations reveal that the external debt/GDP ratio (i.e., the ratio of the outstanding external debt to GDP for the current year), the external debt/export revenue ratio (i.e., the ratio of the outstanding external debt to the export revenue of trade in goods and services of the current year, which is calculated on the basis of the statistical coverage of the balance of payments), and the debt servicing ratio (i.e., the ratio of the sum of the repayment of the principal and interest of long and medium-term external debt and the payment of the interest of short-term external debt to the export revenue of trade in goods and services of the current year, which is calculated on the basis of the statistical coverage of the balance of payments), and the ratio of short-term external debt to foreign exchange reserves were 9.52%, 33.31%, 1.72%, and 15.75% respectively. All of these indexes are within the safe range of international standards.

Trends in the RMB Exchange Rate and Foreign Exchange Market Transactions

I. Trends in the RMB Exchange Rate

(I) The RMB appreciated against the USD. At the end of 2011, the mid-rate of the RMB/USD was 6.3009, an appreciation of 5.1% from that at the end of 2010. Since the reform of the RMB exchange rate formation mechanism in 2005, the cumulative rise in the mid-rate of the RMB against the USD totaled 31.4%.

At the end of 2011, the mid-rate of the RMB/EUR stood at 8.1625, an appreciation of 7.9% since year-end 2010. The mid-rate of the RMB/JPY was RMB8.1103/100 yen, an appreciation of 0.2% from year-end 2010.

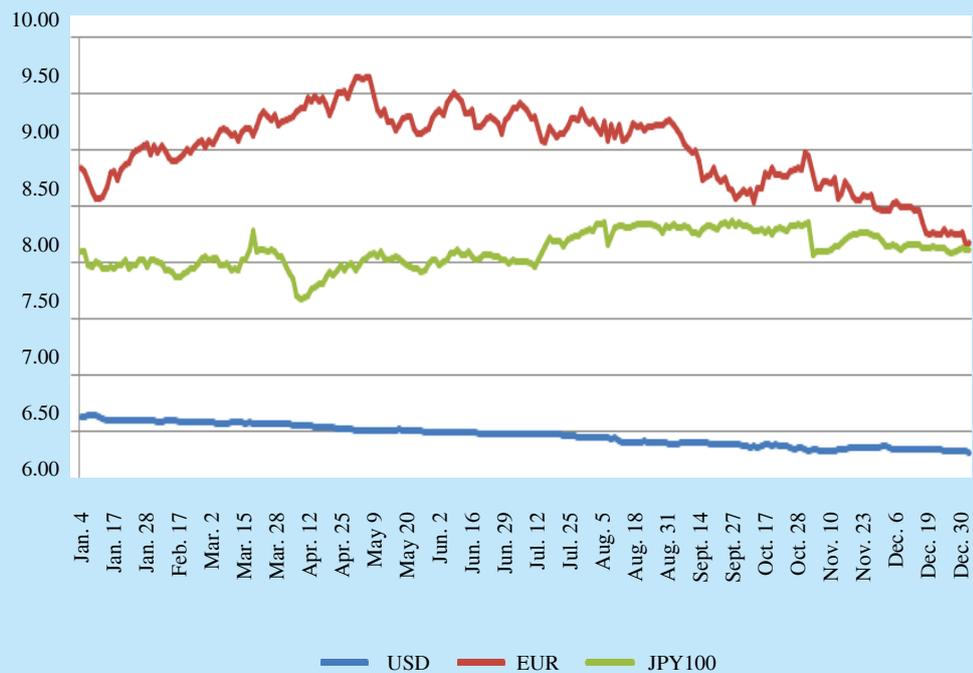


Figure 5 Trends in the Mid-Rate of the RMB against the USD, EUR, and JPY in 2011



(II) The flexibility of the RMB exchange rate increased with significant two-way fluctuations and expectations. During the 244 trading days in 2011, the largest overnight fluctuation of the mid-rate of the RMB against the USD was 187 basis points, with an average daily fluctuation of 43 basis points. The overnight mid-rate rose on 143 trading days and fell on 101 trading days; the spot transaction price of the RMB against the USD on the interbank foreign exchange market fluctuated around the mid-rate, and the largest daily fluctuation of the trading price in comparison to the mid-rate was only 0.18%, 0.10% higher than the level in 2010. Along with the changing foreign exchange demand and supply in China since late September 2011, the volatility of the trading price increased significantly and on many trading days reached a ceiling 0.5% above the current mid-rate.

From early 2011 to mid-September 2011, domestic and overseas markets maintained expectations of an appreciation of the RMB against the USD. Nevertheless, affected by some external factors, such as the weak economic recovery in the US and the European countries, the prolonged European

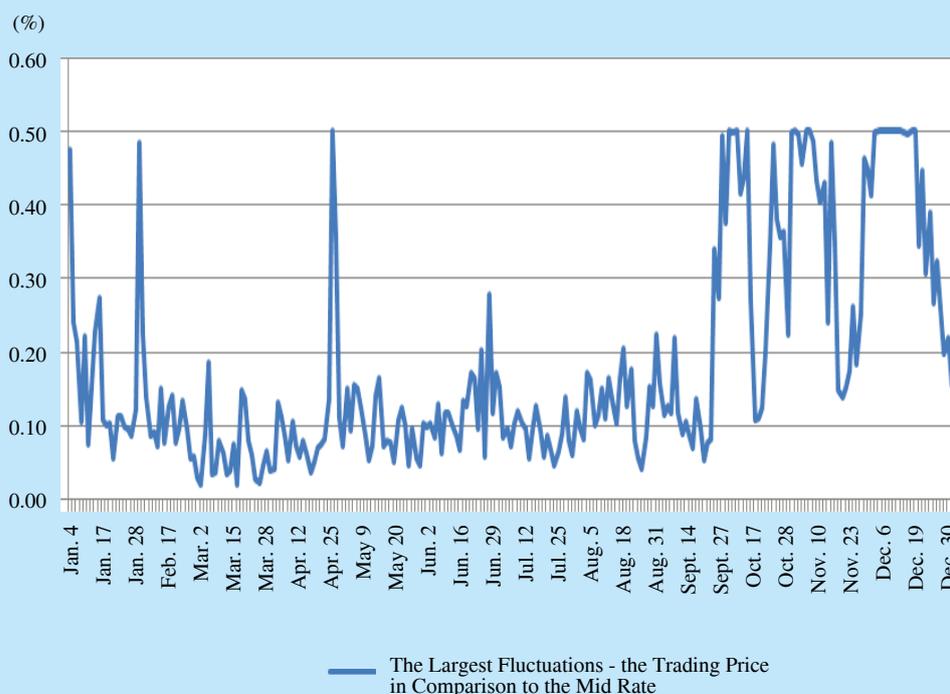


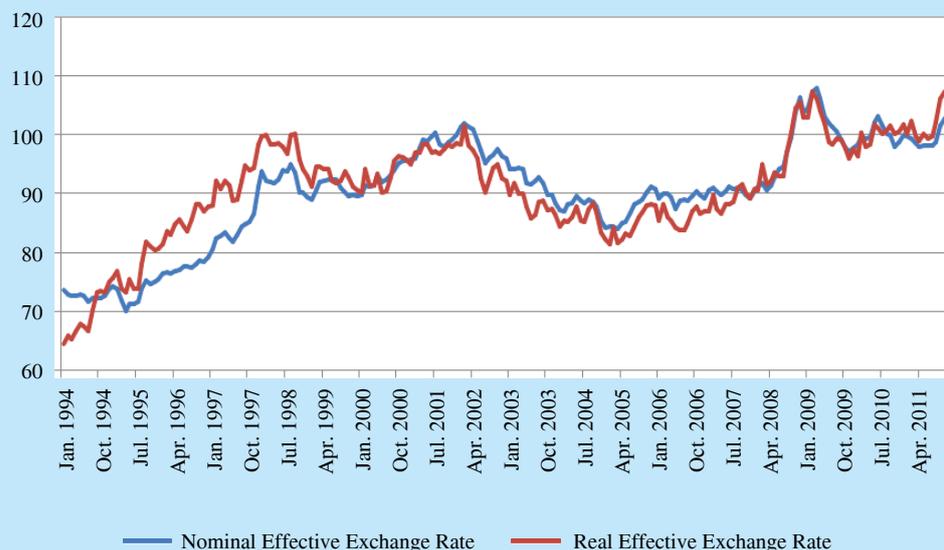
Figure 6 Fluctuations in the RMB/USD Spot Trading Price on the Interbank Foreign Exchange Market in 2011

debt crisis, the turbulent global financial markets, and the slowing economic growth in China, expectations of an appreciation of the RMB were drastically reduced, and RMB expectations in both the domestic and overseas markets successively turned from appreciation to depreciation in late September and early December 2011. In 2011, the expected appreciation of the RMB implied by the one-year term quotation in the domestic and overseas forward markets maximized at 1.9% and 3%, whereas the expected depreciation maximized at 0.6% and 1.8% respectively.



Figure 7 Expectations of the RMB Exchange Rate against the USD in Domestic and Overseas Markets in 2011 (one-year term)

(III) The effective exchange rate of the RMB appreciated significantly. According to data from the Bank for International Settlements (BIS), in 2011, the nominal effective exchange rate of the RMB against a basket of currencies appreciated by a total of 4.9%, whereas the real figure was 6.1% after adjusting for inflationary factors. Since the reform of the RMB exchange rate formation mechanism in 2005, the nominal and real effective exchange rates of the RMB appreciated by a cumulative 21.2% and 30.3% respectively.



Source: BIS.

Figure 8 Trends in the RMB Effective Exchange Rate, 1994–2011

II. Trading Situation in the Foreign Exchange Market

In 2011, the turnover in the RMB foreign exchange market totaled USD8.64 trillion (with a daily average of USD35.4 billion). The bank-to-client market and the interbank foreign exchange market,¹ among others, had turnovers of USD3.10 trillion and USD5.54 trillion respectively, and a wide variety of transactions continued to rise in volume.

(I) The turnover in the spot foreign exchange market grew at a steady pace. In 2011, the spot foreign exchange settlement and sales of banks (excluding the forward performance) completed a total turnover of USD2.70 trillion, a year-on-year increase of 25%. The cumulative turnover on the interbank spot foreign exchange market stood at USD3.55 trillion in 2011, with an average daily volume of USD14.6 billion and registering a rise of 15.7% from the daily average level in 2010.

¹ The bank-to-client market adopts the total sum of the clients' foreign exchange transactions, whereas the interbank foreign exchange market uses the unilateral trading volume, the same below.



(II) The turnover on the forward foreign exchange market increased by a wide margin. In 2011, forward foreign exchange settlement and sales signed between banks and customers totaled USD387.1 billion, up 36.9% over the previous year. Specifically, the foreign exchange settled and sold amounted to USD191.3 billion and USD195.8 billion respectively, 15.5% and 67.2% higher than the figures in 2010. The cumulative turnover on the interbank forward foreign exchange market stood at USD214.6 billion, with an average daily volume of USD880 million, 5.5 times more than the daily average level in 2010.

(III) The turnover on the foreign exchange and currency swap markets increased by a large margin. In 2011, foreign exchange and currency swaps contracted between banks and customers totaled USD14.2 billion, an increase of 124.4% year on year. Specifically, the trading volume of near-end exchange settlement/far-end exchange sales came to USD1.8 billion, a drop of 12.2% from 2010; and that of near-end exchange sales/ far-end exchange settlement amounted to USD12.4 billion, up 188.2% from the previous year. The cumulative turnover on the interbank foreign exchange and currency swap markets stood at USD1.77 trillion, with an average daily volume of USD7.26 billion, 36.8% more than the daily average in 2010.

(IV) A foreign exchange options market was officially introduced. On April 1, 2011, the bank-to-client market and interbank foreign exchange market officially launched options trading. As of the end of 2011, options trading on the interbank foreign exchange market completed a total notional principal of USD1.01 billion, and the trading amount in the bank-to-client market totaled USD870 million.

Foreign Exchange Administration under the Current Account

Comprehensively promoting reform of the foreign exchange administration system for trade in goods. The policy of overseas deposits of export revenue was promoted throughout the country. An announcement was issued jointly by the State Administration of Taxation and the General Administration of Customs to implement a pilot reform of the foreign exchange administration system for trade in goods in seven provinces (cities), such as Jiangsu and Shandong, as of December 1, 2011. Business and regulatory integration was achieved by completion of the construction of a regulatory system for foreign exchange administration with respect to trade in goods, and by promulgation of the *Guidelines for the Pilot Implementation of Foreign Exchange Administration of Trade in Goods*. Systemic integration was achieved by establishing the Foreign Exchange Monitoring System for Trade in Goods. The pilot reform for foreign exchange administration system for trade in goods reduced the operating costs of banks and enterprises, was welcomed and supported by the various circles in society, furthermore, promoted the transformation of the mode for foreign exchange administration of trade by restructuring the administration procedures for foreign exchange trade receipts and payments, adjusting the institutional posts and responsibilities, and improving the procedures, the internal control system, and so forth.

Increasing efforts to crack down on hot money under trade in goods. Efforts were made to improve administration of the on-line inspection of foreign exchange collections and settlements from exports, reduce in batches the inflated quota of receivable foreign exchange from exports, which resulted from credit operations under import processing, and establish a daily mechanism to make note of the redundant quota of foreign exchange receipts. The SAFE strengthened foreign exchange administration of entrepôt trade, requiring that the foreign exchange receipts of entrepôt trade be entered in the to-be-inspected account, and implementing an administration mode of "payment first, then foreign exchange settlement" and administration of a ratio of the receipts and payments of foreign exchange; on the basis of aggregate



verifications, organizing the SAFE branches and sub-branches to carry out special investigations and on-site verifications of enterprises with significantly unusual circumstances with respect to trade foreign exchange capital flows in 2010, and increasing efforts to deter activities in violation of the laws and regulations.

Actively supporting the development of trade in the services industry. Key links and reform issues were adequately discussed, and foreign exchange administration reform with respect to trade in services continued to be promoted. Efforts were made, jointly with many other departments, to provide policy benefits for the development of services outsourcing, the cultural industry, traditional Chinese medicine and pharmaceuticals, the tourism industry, and so forth and to support the development of trade in the services industry. The effectiveness and relevance of the off-site supervision were strengthened, and efforts were stepped up to monitor and screen for clues of unusual and suspicious circumstances and to actively guard against unusual cross-border capital flows.

Promoting the development of individual foreign exchange settlement and sales business via e-banking. The *Interim Measures for the Administration of E-banking-based Foreign Exchange Settlement and Sales for Individuals* were issued to define the conditions for banks to handle the individual foreign exchange settlement and sales business via e-banking, and while securing the actual effect of the annual quota policy, to enrich the channels for individuals to handle foreign exchange settlement and sales, and to reduce the banks' operating costs and counter pressures. As of the end of 2011, there had been 6 banks that were qualified to handle the above business. The management mechanism of a "Watch List" with respect to foreign exchange settlement and sales by individuals by splitting a large amount of funds into smaller amounts was put into effect for trial implementation for banks engaged in individual foreign exchange settlement and sales business via e-banking in order to prevent and curb foreign exchange settlement and sales of unusual and irregular funds via individual channels.

Actively providing good financial service work for major international activities in China. In accordance with the foreign exchange policy demands of the International Horticultural Exposition 2011 in Xi'an and the

Universiade Shenzhen 2011, supporting measures were taken to facilitate foreign exchange receipts and payments and the exchange business of relevant institutions; administration of the total amount of foreign exchange purchases equivalent to USD50000 was implemented for overseas individuals during the Universiade period and within the Universiade area, thereby providing a comfortable and convenient environment to use foreign exchange when engaging in relevant activities.

General ideas on foreign exchange administration under the current account in 2012 are detailed as follows: Making every effort to do well the work related to the pilot reform of the foreign exchange administration system for trade in goods, and selecting opportunities to generalize the pilot reform; actively promoting the foreign exchange administration reform with respect to trade in services, improving foreign exchange administration for individuals, and enhancing the level of foreign exchange administration under the current account; with reform as the priority, reconstructing business supervisory procedures and the setting of posts and responsibilities, improving internal supervision and control, and promoting the transformation of foreign exchange administration under the current account; strengthening off-site supervision as well as monitoring and analysis, and preparing good policy reserves and pre-arranged policies to guard against the risk of cross-border capital flows.





Box 3 Comprehensively Carrying Out the Reform of the Foreign Exchange Administration System for Trade in Goods

The year 2011 marks the 10th anniversary of China's entry into the WTO. During this 10-year period, China's foreign economy and foreign exchange receipts and payments have undergone significant and profound changes, and China has become the largest exporter and second largest importer in the world. Conforming to the requirements for the development of the situation, the SAFE implemented the principle of balanced management, energetically promoted the reform of the foreign exchange administration system for trade in goods, and while facilitating trade activities and comprehensively reducing social costs, committed to achieving the transformation of the method of foreign exchange administration for trade from verification and writing-off on a case-by-case basis to aggregate verification and from examination of activities to classified management of the participants, and establishing a new management mode with such characteristics as comprehensive monitoring of the imports and exports of enterprises, classified management of the participants, and information sharing among the departments.

In September 2011, the SAFE, the State Administration of Taxation (SAT), and the General Administration of Customs (GAC) jointly announced that they had decided to implement a pilot reform of the foreign exchange administration system for trade in goods in such provinces (cities) as Jiangsu, Shandong, Hubei, Zhejiang (excluding Ningbo), Fujian (excluding Xiamen), Dalian, and Qingdao, effective from December 1, 2011. Currently, the pilot reform is being steadily promoted and preliminary progress has been achieved.

The reform of the foreign exchange administration system for trade in goods mainly includes the following:

First, improving foreign exchange administration for trade in goods and preventing risks in foreign exchange receipts and payments. The foreign exchange authorities have developed the Foreign Exchange Monitoring System for Trade in Goods (hereinafter referred to as the "Monitoring System") to comprehensively collect enterprise foreign trade business data; on the basis of individual enterprises to automatically carry out aggregate comparisons between the flows of imported and exported goods and the flows of received and paid funds in trade, and to select

Box 3 (continued)

unusual participants; through the integrated dynamic monitoring, lock the scope of the inspection; carry out on-site verifications to verify suspicious circumstances; on the basis of the compliance of the receipts and payments for trade, to classify the enterprises into three categories, A, B, and C, and to dynamically adjust the classification results; carry out classified management whereby the trade receipts and payments of Category-A enterprises is very convenient, while that of Category-B and C enterprises is subject to rigorous management. For example, a full set of trade documents and instruments for trade receipts and payments of foreign exchange for Category-B enterprises shall be submitted to the banks, thereby reducing the amount of their quota of receivable or payable foreign exchange via the Monitoring System; trade receipts and payments of foreign exchange of Category-C shall be subject to examination by the foreign exchange authorities on a case-by-case basis, and some of the business of Category-C enterprises shall be subject to restrictions.

Second, simplifying the formalities for trade receipts and payments of foreign exchange and the relevant handling procedures. Enterprises are not required to go through the procedures for writing-off and verification; the documents and instruments required for enterprise compliance with foreign exchange payments for imports are simplified significantly, and foreign exchange payments may be handled with the banks upon the strength of the import customs declaration, contract, invoice, or any other documents and instruments that can prove the authenticity of the transactions. The bank documents for the examination of the foreign exchange payments by enterprises are simplified significantly and foreign exchange collections from exports are subject to on-line inspections.

Third, simplifying the export-rebate vouchers. During the pilot period, when export enterprises in the pilot regions apply for export rebates, they are not required to provide an Export Verification Form for Foreign Exchange Collections. The tax authorities will, in accordance with the relevant provisions, examine the enterprises' export rebates with reference to the information provided by the foreign exchange authorities on the foreign exchange receipts from exports and the classifications of the enterprises.





Box 3 (concluded)

Fourth, reinforcing cross-departmental supervisory collaboration to enhance synergy. The State Administration of Foreign Exchange, the State Administration of Taxation, and the General Administration of Customs will further strengthen their cooperation, realize data-sharing, improve coordination mechanisms, and rigorously crack down on irregular cross-border capital flows and activities such as tax fraud and smuggling that are in violation of the relevant laws.

The reform of the foreign exchange administration system for trade in goods has established a new administrative mode combining facilitation and risk management, which are important measures to comply with the development and changes in the scale, mode, and participants in the country's foreign trade and to respond to the trends in the balance of payments. It is an important element in the transformation of the concepts and methods of foreign exchange administration. Optimizing and upgrading the information-sharing mechanism for foreign exchange receipts from exports and export rebates is conducive to reducing social costs, improving the tools for foreign exchange administration, and further enhancing the level of trade facilitation.





Foreign Exchange Administration under the Capital Account

Actively coping with the continuous net inflows of cross-border capital, and reducing the total scale of the quota for outstanding short-term external debt of financial institutions and the quota for the balance in bank external financing guarantees. On the one hand, in light of the changes in the balance of payments situation, the total scale of the quota for the outstanding short-term external debt of financial institutions in 2011 was moderately reduced, and the structure of the distribution of the quota was optimized to support import financing by small and medium banks. On the other hand, on the basis of comprehensive consideration of the current situation in foreign exchange receipts and payments, the scale of the quota for the balance in the external financing guarantees of domestic banks in 2011 was moderately reduced, and administrative principles for some external guarantee business were further defined to promote a basic equilibrium in the balance of payments.

Carrying out a pilot to inspect invoices and to strengthen administration of foreign exchange settlement of capital. Efforts were made to regard the invoice authenticity inspection as the starting point, to strengthen the requirements for examination of the authenticity of the foreign exchange settlement of capital, to further define the banks' responsibilities in terms of examining the authenticity, to regulate the foreign exchange settlement activities of enterprises, and to curb the inflows of hot money and the foreign exchange settlement activities that are in violation of the regulations on foreign exchange administration and that do not have a true trading background. Since implementation of the policy, the amount of China's foreign exchange settlement and the ratio of foreign exchange capital were both reduced, demonstrating the positive effectiveness of the policy.

Improving foreign exchange administration of return investments, simplifying procedures, and enhancing the actual effects. The SAFE issued the Operational Rules on Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Overseas Special-purpose

Companies, regulated and simplified the registration procedures for special-purpose companies, gradually realized the transfer of the administration priorities from special-purpose companies to target enterprises for return investments, improved the administrative methods, and enhanced the actual effects of the administration.

Further improving the annual foreign exchange inspections and enhancing work efficiency. For the first time, the Coordinated Direct Investment Survey (CDIS) was included into the annual inspections of overseas investments, laying a foundation for the adoption of the International Monetary Fund's new statistical standard for direct investments. Furthermore, evaluation methods for the annual foreign exchange inspections of foreign-invested enterprises were developed and issued to effectively guide the SAFE branches and sub-branches to improve their annual inspection methods, adjust their work priorities, enhance the level of integrating the annual inspections with other work, such as statistics and analysis and ex-post inspections, reduce the burdens on enterprises, and improve the working efficiency of the annual inspections.

Defining the foreign exchange administration procedures for the supplementary registration of the guarantee for the disposal of non-performing assets to foreign parties by financial asset management companies, and participation in overseas derivative businesses by enterprises under the direct control of the central government, and facilitating their lawful operations. On the basis of extensive consultation with overseas investors and financial asset management companies, the supplementary registration administration procedures for the guarantee for the disposal of non-performing assets to foreign parties by financial asset management companies were defined, and were widely accepted by the markets. The *Circular on Relevant Issues Concerning Foreign Exchange Administration of the Overseas Financial Derivative Business of Enterprises under the Direct Control of the Central Government* was issued to define matters with respect to the overseas derivative trading carried out by the enterprises under the direct control of the central government, such as the foreign exchange registration, the opening of relevant domestic and overseas foreign exchange accounts, and the administration of fund exchanges, and to facilitate their carrying out overseas

derivative trading in accordance with the laws and regulations.

Promoting the policy for RMB loans pledged with foreign exchange for Chinese-funded enterprises. On the basis of the previous pilot projects, the *Circular on Relevant Issues Concerning the Policy for RMB Loans Pledged with Foreign Exchange for Domestic Enterprises* was issued to promote nationwide the business of RMB loans pledged with foreign exchange for Chinese-funded enterprises, which set forth specific provisions for matters involved in the pledge procedures for foreign exchange, such as the account, exchange, and pledge currency, improved the relevant statistics and monitoring system, and unified the relevant policy treatment of Chinese and foreign-funded enterprises.

Steadily implementing the qualified institutional investors (QFII and QDII) systems, and actively promoting implementation of the pilot program of domestic securities investments by RQFII. In 2011, a total of USD1.92 billion was approved as the quota for domestic securities investments by 23 QFIIs, and a total of USD5.29 billion was approved as the quota for overseas securities investments by 15 QDIIs. While the relevant working instructions of the State Council were being implemented, on the basis of joint formulation and issuance with the relevant departments in the pilot measures related to RQFII, the supporting provisions on foreign exchange administration were issued in a timely manner to define the specific requirements for matters such as quota management, business registration, the outward and inward remittances of capital, and the reporting and recording of statistical data, and allocated the RQFII investment quota based on the level of operations and the type of product risk, which promoted the smooth implementation of the pilot program for RQFII.

Further streamlining administration and instituting decentralization, improving internal control, and regulating business operations under the capital account. First, streamlining administration and instituting decentralization, and improving business operations. The *Circular on Cancellation and Adjustments to the Approval Authority and the Administrative Measures for Certain Foreign Exchange Businesses under the Capital Account* was issued to delegate approval authority for 5 businesses, such as trade credit and external guarantees, and to optimize business administration procedures. Second,





improving the internal control system and guarding against operational risks. The SAFE amended and improved the internal control system under the capital account, printed and distributed the *General Rules for the Internal Control System of the Foreign Exchange Administration under the Capital Account (2011)*, and focused on a collective consideration system for special business cases under the capital account.

Promoting the platform for comprehensive data utilization, actively exploring to carry out integration of the capital account business system. On the one hand, efforts were made to explore the comprehensive utilization of capital account data, fully integrate the existing system and data on foreign exchange administration business, design the functional modules, such as those for synthetic analysis, thematic analysis, main business data monitoring, and screening of unusual circumstances, preliminarily establish a relatively comprehensive and complete foreign exchange business data monitoring system, and monitor the status of cross-border capital flows from different perspectives, which provided an effective channel for statistics and monitoring under the capital account, off-site inspections, and ex-post supervision. On the other hand, efforts were made to research and establish an integrated information system for the main capital projects, further improve the administration methods, and optimize the business processes.

General ideas on foreign exchange administration under the capital account in 2012 are detailed as follows: Further deepening the reform of foreign exchange administration under the capital account, establishing a concise and clear regulatory framework and administrative information system, strengthening statistics, monitoring, and analysis and early warning on inflows and outflows of cross-border capital, intensifying off-site inspections and ex-post supervision under the capital account, and while promoting trade and investment facilitation and guarding against the risk of unusual cross-border capital flows, steadily and orderly promoting RMB convertibility under the capital account.

Box 4 Simplifying Procedures, Optimizing Operations, and Reforming Foreign Exchange Administration of Return Investments

In 2005, the SAFE issued the *Circular on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Overseas Special-purpose Companies* (Huifa No.75 [2005], hereinafter referred to as the *Circular No. 75*), and preliminarily established return investment administration procedures with overseas special-purpose companies established by domestic entities as the main line, and changed the administrative method for establishing overseas special-purpose companies by domestic entities from pre-approval to pre-registration. Furthermore, alterations in the registration of the special-purpose companies shall be handled in a timely manner for all overseas financing and domestic investment activities.

Circular No. 75 requires registration and monitoring of off-shore financing and return investments, regulates overseas listings and return investments using the model of "Small Red Chips", and establishes an administrative foundation for guarding against the potential risks in cross-border investments and financing. Furthermore, promulgation of *Circular No.75* also encourages relevant departments to further improve administrative policies for foreign-capital M&As and overseas indirect listings.

Due to the complexity and variety of the modes of overseas financing and return investments, there were some major problems in actual implementation of the administrative policies for return investments: First, the administrative goals and coverage of the departments were different, which aggravated policy arbitrage and policy risks. Second, the administrative goal of ex-ante registration for all return investments was difficult to achieve, and ex-post supplementary registration became prevalent, and foreign exchange administrative work became passive. Third, registration of the overseas special-purpose companies became increasingly complicated, meanwhile, administration of the target return investment enterprises was relatively weak and involved many potential risks. Fourth, there were problems at the operational level, such as different standards for implementation of *Circular No.75* by the foreign exchange authorities in the various localities.



Box 4 (continued)

On July 1, 2011, the *Circular of the State Administration of Foreign Exchange on Printing and Distributing the Operational Rules on Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Overseas Special-purpose Companies* (Huifa No. 19 [2011], hereinafter referred to as *Circular No.19*) was officially implemented. *Circular No. 19*, through optimal adjustments, was intended to achieve the following goals: simplifying the registration procedures for special-purpose companies, weakening the nature of examinations and approvals, gradually realizing the transfer of administrative priorities from the special-purpose companies to the return investment target enterprises and, furthermore, transferring work priorities from registration of the special-purpose companies to statistics and monitoring of the scale of the return investments to eliminate policy risks and policy arbitrage and to avoid having an impact on the market. The specific adjustments include the following:

First, bridging the differences in administrative coverage between the foreign exchange authorities and the commerce authorities through a classified management method, clearly defining the scope of registration of the special-purpose companies.

Second, developing operational rules for the supplementary registration of the special-purpose companies. Special-purpose companies that had been established but had material changes in capital (such as overseas financing, equity changes, return investments, and so forth) first should be punished and then should handle the supplementary registration procedures.

Third, developing operational rules for the ex-post assignments to identify return investments by non-special-purpose companies. In light of the fact that there are many foreign-invested enterprises, the actual controllers or some of the shareholders that are domestic residents (domestic individuals or domestic institutions) in this policy adjustment, the operational rules for the ex-post assignment to identify return investments by non-special-purpose companies were

Box 4 (concluded)

developed to solve the historical problems.

Fourth, simplifying registration of alterations in the special-purpose companies. For most unimportant alterations in the special-purpose companies, the applicants are allowed to collectively handle the registration procedures with the foreign exchange authorities annually at the location of their original registration of the special-purpose companies during the annual inspections of foreign-invested enterprises.

Fifth, initially establishing a fully-covered statistics and monitoring system for return investments. Foreign-invested enterprises are classified into three categories for the purpose of administration, i.e., the target enterprises of the return investments by special-purpose companies, the target enterprises of the return investments by non-special-purpose companies, and enterprises not involved in return investments, to strengthen statistics, monitoring, and analysis of the target enterprises of the return investments.

In general, since implementation of *Circular No. 19*, the market has responded favorably and the pre-set goals of the policy basically have been achieved.



Box 5 Actively Promoting the RQFII Pilot Program

An RMB Qualified Foreign Institutional Investor (RQFII) refers to an entity that is approved by the relevant authorities to utilize RMB funds raised in Hong Kong for the purpose of engaging in the domestic securities investment business. The first pilot institutions were Hong Kong subsidiaries of domestic fund management companies and securities companies.

On December 16, 2011, the China Securities Regulatory Commission (CSRC), the People's Bank of China (PBC), and the SAFE jointly issued the *Measures for the Pilot Program of Domestic Securities Investments by Fund Management Companies and Securities Companies as RMB Qualified Foreign Institutional Investors* (Decree No. 76, hereinafter referred to as the "*Pilot Measures*"), marking the official beginning of the pilot RQFII program. The State Council approved a total of RMB20 billion as the quota for the domestic securities investments of the first pilot institutions. The main contents of the *Pilot Measures* include the following: First, defining the division of responsibility between departments. The CSRC is responsible for administration of access to the qualification and the securities investment activities of the RQFII, the PBC is responsible for administration of the opening of RMB accounts by the RQFII, the SAFE is responsible for administration of the RQFII investment quota, and the PBC and the SAFE together carry out monitoring and administration of inward and outward remittances of capital. Second, defining that RQFII pilot program shall be carried out with reference to the existing administrative mode applied to the QFII, and that a trustee system shall be implemented. Third, defining the qualifications and materials required for application by the RQFII for the pilot business and the investment quota. Fourth, emphasizing that where the RQFII makes investments in domestic RMB financial instruments within the quota, the investment category, ratio, and other relevant items shall conform to the regulatory requirements of the CSRC and the PBC. Fifth, providing that the RQFII shall handle outward and inward remittances of capital in accordance with the requirements related to administration of the investment quota, the principal and earnings of the investment may be remitted

**Box 5 (continued)**

outward in RMB or in foreign exchange purchased with RMB. Sixth, requiring that RQFIIs and their trustees and the securities companies comply with all the regulatory requirements, and perform their corresponding obligations to report and record statistical data.

Under the circumstances whereby the scope of cross-border RMB trade settlement is continuously expanding and RMB cross-border direct investment business and offshore RMB business in Hong Kong is continuously developing, in order to further increase backflow channels for RMB funds and to encourage Chinese-funded securities operators in Hong Kong to expand their business channels, the RQFII business, as another pilot system in the opening up of the capital market, was launched. The RQFII pilot program has taken advantage of the experience of the QFII system; however, there are some differences from the QFII system: First, the raised investment funds are RMB funds, not foreign exchange funds. Second, the first pilot institutions of the RQFII program are limited to Hong Kong subsidiaries of domestic fund management companies and securities companies. Third, the investment scope is extended from RMB financial instruments on the exchange market to the interbank bond market. Fourth, on the basis of the improvements in the statistics and monitoring, administration of the RQFIIs' investment quota and of the receipts and payments of the RQFIIs' cross-border capital are simplified and promoted to the fullest extent possible.

In order to actively implement the work related to the RQFII pilot program, the SAFE issued a supporting document, the *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Pilot Program of Domestic Securities Investments by Fund Management Companies and Securities Companies as RMB Qualified Foreign Institutional Investors* (Huifa No. 50 [2011]), in accordance with the *Pilot Measures*, to further define the specific requirements for administration of the investment quota, administration of the outward and inward remittances of capital, and the statistics and monitoring. As of January 2, 2012,



Box 5 (concluded)

the first batch in the RQFII investment quota, a total of RMB 20 billion, was allocated.

Implementation of the RQFII system is conducive to facilitating the carrying out of cross-border RMB business, expanding the investment channels for overseas holders of RMB, and promoting the development of the off-shore RMB market in Hong Kong; it is beneficial to giving play to the advantage that securities institutions in Hong Kong are familiar with the mainland market, and to providing investors in Hong Kong with the opportunity to participate in investments in the domestic securities market; and it has a positive, multi-level and multi-perspective significance in the opening up of the domestic capital market.





Statistics and Monitoring of the Balance of Payments

Improving transparency of data on the balance of payments statistics. For the first time, international investment position statements were published on a quarterly basis, and the requirements of the Special Data Dissemination Standard of the International Monetary Fund with respect to the balance of payments (BOP) statistics were basically met. The scope of data disclosure on foreign exchange settlement and sales by banks on behalf of clients and foreign-related receipts and payments by banks on behalf of clients was expanded, and time-series data were published.

Strengthening risk monitoring and early warning in the balance of payments. Monitoring and analysis of cross-border capital flows were strengthened on the basis of the new situation and the new changes in the foreign exchange situation. The BOP's risk monitoring and early-warning system was continuously improved by researching and improving monitoring and analysis methods. For the first time, the *2010 Cross-border Capital Flow Monitoring Report* was published to guide the various circles in society to correctly interpret the status of China's cross-border capital flows.

Boosting construction of the BOP statistical system. The approval documents related to the declaration of the BOP statistics were sorted out, and the statistical declaration rules related to RMB cross-border settlement and non-residents' foreign-related receipts and payments were improved. Efforts were made to cooperate in work related to the reform of the management of the verification and writing-off of imports and exports and the integration of the capital account management system, to adjust the vouchers related to foreign-related receipts and payments by domestic banks, and to specify the requirements related to the data collection system for overseas deposits of export revenue.

Conducting in-depth research on China's implementation of new international standards. The SAFE studied and formulated the plan in the *Handbook of the Statistics of the Balance of Payments and the International Investment Position* (6th Edition) for implementation in China; amended the *Declaration System*

for Overseas Assets, Liabilities, and Profits and Losses of Financial Institutions, and worked out a program to adjust the classifications of and codes for transactions of foreign-related receipts and payments.

Improving statistical methods for the balance of payments. The preparatory methods for all data sources included in the BOP statements were improved as were the statistical methods for such items as tourism expenditures, entrepôt trade, and foreign aid. The banks' trade financing statistical system was established to comprehensively grasp the information about the trade financing carried out by China's import and export enterprises through domestic banks. The frequency of the trade credit survey was increased from a semi-annual basis to a quarterly basis, and the scope of the survey was expanded to include all of China.

Strengthening verification of the data on the balance of payments statistics. *The new Rules on Inspection of the Indirect Declaration of the Balance of Payments Statistics* were amended and newly promulgated. Major inspections of block transactions and important trade items were included in the inspection system. Inspections include statistical data from such sources as assets, liabilities, losses and profits of financial institutions, and the RMB accounts of domestic non-residents. Foreign exchange settlement and sales statistics were included in the scope of the inspections of the BOP statistical data.

Enhancing statistical exchanges and cooperation. Together with the Ministry of Commerce and the National Bureau of Statistics, the SAFE released the *2010 Statistical Bulletin on China's Outward Foreign Direct Investment*, thereby strengthening data-sharing by regularly exchanging statistical data with the relevant ministries and commissions. In addition, in collaboration with the International Monetary Fund, the SAFE held training courses for statistical work on the balance of payments and convened the Fifth Sino-Japanese Exchange Conference on Balance of Payments Statistics.

Giving full play to the role of the BOP Statistical Branch. Assessment activities were organized around the "Star of Balance of Payments Statistics" to commend and encourage excellent work by the statistical staffs. Furthermore, BOP business training was organized and carried out to further enrich

academic exchange activities in relation to the BOP. Development and utilization of the BOP statistical data were improved.

General ideas on statistics and monitoring of the balance of payments in 2012 are detailed as follows: Keeping a close eye on changes in the situation both at home and abroad, strengthening monitoring of cross-border capital flows, improving the BOP system, and effectively guarding against financial risks.



Box 6 Establishing an Investigation System for the Banks' Trade Financing

The enterprises' trade credit and the banks' trade financing are the two main reasons for the difference in Chinese customs between the receipts and payments of imports and exports and those of the trade in goods (ignoring differences in terms of the statistical coverage). In particular, trade credit data was collected by a sample survey of trade credit, but there have not been any special statistics on the banks' trade financing. In order to collect complete data from all the enterprise financing channels, as a helpful supplement to the trade credit data, in 2011 the *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Carrying Out Investigations of the Banks' Trade Financing Business* (Hui Zong Fa No. 114 [2011]) was printed and distributed, and a method for major investigations was adopted to select 31 commercial banks to submit trade financing business data as of November, 2011.

The banks' trade financing business investigation system that has been newly established is based on an analysis of relations among customs imports and exports, trade in goods receipts and payments, and foreign exchange settlement and sales, and has the following characteristics: First, adopting a major investigation method applicable to some banks in China to select 31 commercial banks that have a large volume of trade financing business, with coverage of the volume of business over 90%. Second, adopting an inductive method to list the types of trade financing businesses. There are variations in the banks' trade financing business types. Sometimes, the business names are the same, but with different operational processes. Furthermore, the banks' trade financing business develops rapidly, with new business emerging all the time. Consequently, it is not practical to maintain a detailed list of the specific business names reported by the banks. Instead, classification on the basis of the nature of the business cannot only ignore the objective fact that the specific business types of the banks are not consistent with one another, but also can avoid the contradiction which may occur in the future between the item design of the investigation system and the development of the banks' trade financing business. Third, the design of the investigation indicators focuses on both imports and exports, both overseas financing and

Box 6 (concluded)

domestic financing, and in relation to trade in goods, it meets the requirements for analysis of the difference between imports and exports and receipts and payments, and between receipts and payments of foreign exchange and foreign exchange settlement and sales. Fourth, the investigation indicators differentiate between the statistics on foreign currency business and RMB business. Since the pilot for RMB settlement business of cross-border trade, the RMB financing business for trade in goods has developed rapidly, having a significant impact on the foreign exchange situation. Therefore, the investigation form includes RMB business as a separate item, and at the same time pays attention to the statistics on the off-balance sheet. Fifth, the banks are required to update their trade financing business product types on the remarks form on a semi-annual basis so that the foreign exchange authorities can promptly learn about the development of the banks' trade financing business and amend the investigation system as necessary.

According to the investigation results, as of the end of 2011, the banks' trade financing business stock was USD373.9 billion, of which export trade financing stock was USD48.2 billion, accounting for 13%, and import trade financing stock was USD325.7 billion, accounting for 87%. In the banks' trade financing business, the financing business that might cause a difference between the customs imports and exports and the trade in goods receipts and payments accounted for over 60%.





Supervision of the Foreign Exchange Business of Financial Institutions

Improving management of banks' own foreign exchange settlement and sales. Efforts were made to integrate the existing regulations, fill in the administrative gaps, cancel the compulsory foreign exchange settlement requirements for foreign exchange profits, reduce the ex-ante examination items, and strengthen the ex-post submission of statistical data and off-site monitoring.

Continuing to strengthen the operation and management of banks' foreign exchange business. In order to cope with the pressures of cross-border capital inflows, the SAFE further tightened the lower limit on banks' position calculated on the basis of cash accounting. Efforts were made to continue to promote intensive implementation of work related to assessing banks' implementation of the provisions on foreign exchange administration, to revise the assessment indicators on the basis of the adjustments to the foreign exchange administration policies, and to include some new risk-based assessment indicators.

Promoting the foreign exchange administration reform for insurance institutions. In order to promote the sound development of the foreign exchange business of insurance institutions, research was conducted to further improve foreign exchange administration of insurance institutions, and the foreign exchange business of insurance institutions was facilitated in areas such as market access and fund exchange. Efforts were made to conscientiously perform the administrative licensing functions for the foreign exchange business of institutions in areas such as market access and domestic and foreign currency conversion, and to support insurance institutions in carrying out their business activities. By the end of 2011, 108 insurance companies in the country with the proper qualifications had received approval from the SAFE to engage in foreign exchange business.

Promoting the healthy development of the foreign exchange business of securities institutions. As of the end of 2011, upon the approval of the

SAFE (including the SAFE branches and foreign exchange administration departments), 95 securities companies in China were deemed qualified to operate securities business in foreign exchange, and 24 finance companies of group companies were approved to carry out foreign exchange settlement and sales business within their groups.

General ideas regarding supervision of the foreign exchange business of financial institutions in 2012 are as follows: The SAFE shall improve administration of market access and withdrawal from foreign exchange settlement and sales of banks; carry out research on the program to improve administration of the banks' positions in foreign exchange settlement and sales; and further refine the system to assess the banks' regulatory compliance with the foreign exchange administration. Laws and regulations with respect to foreign exchange administration for insurance institutions shall be promulgated, procedures for insurance-related foreign exchange receipts and payments shall be simplified, and authority for examination and verification shall be delegated to lower levels, so as to further facilitate the operation of foreign exchange business by insurance institutions.



Box 7 Regulating the Management of the Banks' Own Foreign Exchange Settlement and Sales

In recent years, as the banks' foreign exchange business has developed rapidly and cross-border investment activities have increased with each passing day, in terms of the banks' own foreign exchange settlement and sales, the scale has continuously expanded and the form has become increasingly diversified. In order to regulate the handling of the banks' own foreign exchange settlement and sales business and to guard against BOP risks, in June 2011, the SAFE promulgated the *Circular on Relevant Issues Concerning Improving Administration of the Banks' Own Foreign Exchange Settlement and Sale Business* (Huifa No. 23 [2011], hereinafter referred to as the *Circular*).

The *Circular* specifically regulates the banks' own foreign exchange settlement and sale transactions under the current account and capital account: First, embodying "balanced management"; a uniform quantitative standard for domestic and foreign currency conversion for the banks' capital (or working capital) was developed, to help the banks better carry out balanced development and to guard against exchange rate risks. Second, embodying "facilitation of operations"; in light of the characteristics of the banks' own foreign exchange settlement and sales business, the administrative policies for the banks' own foreign exchange settlement and sales in the existing regulations were sorted out and integrated, and business for which there were no specific provisions in the existing policies was further regulated. Third, embodying a "reduction of the examination requirements"; the prior examination requirements for settlement of the banks' foreign exchange profits were simplified, and the prior examination requirements for payment of dividends or bonuses by banks to foreign shareholders and for outward remittances of foreign-funded banks' profits were cancelled. Fourth, embodying the idea of "seizing the big and freeing the small"; based on the principles of facilitation and convertibility, efforts were made to regulate matters that had more influence on foreign exchange administration, and for matters that could be handled by banks independently, specific provisions thereof were no longer formulated. Fifth, embodying "ex-post supervision"; the requirements for statistics and information reporting on the banks' own foreign exchange settlement and

Box 7 (concluded)

sales were reaffirmed.

The *Circular* plays an active role in improving the transparency of the laws and regulations on the administration of foreign exchange and in simplifying the management processes, thus enabling banks to better understand and implement the relevant regulations. As a result, the foreign exchange settlement and sales business and the relevant business activities can be carried out in an orderly manner. According to the situation after implementation, the release of the *Circular* had a neutral effect on foreign exchange supply and demand, and received good reviews.





Construction and Development of the Foreign Exchange Market

Enriching the trade varieties in the foreign exchange market. As of March 1, 2011, the RMB-Forex cross currency swap business was introduced to the bank-to-client market. As of April 1, 2011, the RMB-Forex options business was introduced to the bank-to-client market and the interbank foreign exchange market, and the banks were encouraged to handle the options portfolio business for their clients in order to adapt to market demand.

Introducing new tradable currency pairs to the foreign exchange market. As of November 28, 2011, trading of the Australian dollar and the Canadian dollar against the RMB was introduced to the interbank foreign exchange market to facilitate the banks' risk management and to reduce the currency conversion costs for cross-border trade and investment.

General ideas on the construction and development of the foreign exchange market in 2012 are detailed as follows: The SAFE shall continue to diversify the entities involved in the foreign exchange market, improve the mechanism for clearing on the interbank foreign exchange market, promote product innovation on foreign exchange market, and steadily support the opening up of the foreign exchange market.

Enforcement of Foreign Exchange Inspections and Regulations

In 2011, the SAFE further strengthened oversight of abnormal foreign exchange capital flows, carried out special inspections and investigations of certain targets, and intensified efforts to fight various illegal activities involving *underground money shops* and illegal foreign exchange trading. Meanwhile, great efforts were made to continuously optimize the approach to off-site inspections and to make innovations in the inspection methods, perfect the internal control mechanisms, and promote dissemination of the relevant policies. In 2011, the foreign exchange authorities investigated and handled a total of 3488 cases involving activities in violation of the regulations on foreign exchange administration, and collected RMB503 million in penalties and confiscations.

Conscientiously investigating and dealing with major illegal foreign exchange cases. In 2011, by seriously implementing the requirement of the State Council on severely fighting against the flow of hot money into the real estate industry and the illegal settlement of exchange by way of direct foreign investments, the SAFE set up a special inspection group and seriously handled a variety of major cases. In 2011, 17 major cases were investigated and dealt with, and fines amounting to RMB187 million were imposed, which effectively suppressed the illegal flow of "hot money" into hot areas such as the real estate and financial markets.

Rigorously cracking down on illegal and criminal activities with respect to foreign exchange business, such as *underground money shops*. In 2011, in close collaboration with the public security departments, the SAFE maintained its high-pressured cracking down on illegal and criminal activities involving foreign exchange, ferreted out 18 cases of underground money shops, 20 cases of illegal foreign exchange trading, and one case of illegal on-line foreign exchange speculation, and 198 criminal suspects were arrested, charges were brought against 64 people, and penalties in the amount of RMB5 million were imposed.



Conducting targeted special inspections and investigations. The SAFE kept a close eye on changes in the economic and financial situations both at home and abroad, strengthened its analysis of the data on foreign exchange receipts and payments, and conducted special examinations targeted at key entities, industries, and projects with illegal flows of hot money. In 2011, the SAFE organized 309 special inspections and investigations, during which 8190 banks, enterprises, and individuals were inspected and 1900 were identified as having been involved in regulatory violations in a total of 37200 deals, and administrative penalties in the amount of about RMB311 million were imposed.

- Carrying out special compliance inspections of foreign exchange businesses operated by the head offices of domestic and foreign banks. In 2011, the SAFE conducted special compliance inspections of foreign exchange businesses at the head offices of 7 domestic and foreign banks, during which irregularities were identified, such as exceeding the short-term external debt quotas, irregular settlement and sales of foreign exchange, and failure to perform the authenticity verification requirement.
- Organizing random repeated inspections of banks. In 2011, the SAFE carried out random inspections of 26 banks that had been inspected in 2010 to check on the rectification of their previous violations, with focus on improving the foreign exchange internal control system, foreign exchange business compliance, as well as the data system. The random inspections revealed that generally the banks had done a good job in implementing and making corrections, but violations such as exceeding the short-term external debt quotas, irregularly processing gold interbank lending, irregularly handling gold import businesses, and irregularly dealing with domestic loan businesses under overseas guarantees continued to exist.
- Carrying out special inspections of the foreign exchange business of finance companies. In 2011, the SAFE carried out special inspections of the compliance of the foreign exchange operations of two finance companies. The inspections revealed such violations as operation of overseas securities investment without approval, violations of overseas

loan management regulations, violations of the regulations on domestic foreign exchange loans and foreign exchange entrusted loans, and failure to handle foreign exchange remittances under the capital and current account as per the regulations.

- Conducting special inspections of the settlement of foreign exchange capital by foreign-invested enterprises. In 2011, the SAFE organized 18 branches to conduct special compliance inspections on the settlement of foreign exchange capital by foreign-invested enterprises within their jurisdictions, during which 4996 foreign-invested enterprises were inspected, information on the settlement of foreign exchange capital and fund transfer vouchers of 540 enterprises were examined on the spot, and 171 enterprises were suspected of having violated the regulations, involving a total of USD2.064 billion.

Actively utilizing the off-site inspection system for the foreign exchange business. In 2011, six rounds of focused analysis of the off-site inspection system for foreign exchange businesses were carried out. Through the off-site inspection system, the SAFE found a total of 1930 clues about hot money and other illegal capital inflows and exchange settlements, with 27448 irregular deals amounting to USD22.5 billion; after on-site inspections, 338 foreign exchange violations were investigated and published, and administrative penalties in the amount of RMB177 million were imposed, cracking down with high precision on abnormal and irregular cross-border fund flows.

Organizing trans-regional "cross checks". The SAFE organized four branches in Shaanxi, Chongqing, Guizhou, and Xiamen to conduct "cross checks" in two phases, which improved the overall level of foreign exchange inspection work in various places, enhanced interactions and mutual learning among the branches, and comprehensively improved their work efficiency.

Further checking on implementation of the internal control system for foreign exchange inspections. The SAFE conducted on-site inspections and self-inspections on the implementation of the internal control system of 10 branches, and repeated them on 2 branches to determine whether the problems had been rectified. Positive efforts were made to explore new



approaches and methods for internal control and management and for more efficient internal control, supervision, and administration of foreign exchange.

Vigorously promoting publicity on integrity and education, and the construction of a foreign exchange credit system. In 2011, the SAFE disclosed a total of 3390 pieces of information on illegal (negative) foreign exchange activities, among which 204 involved illegal enterprises that had escaped punishment, and stepped up the sharing and disclosure of information on foreign exchange violations. Meanwhile, the SAFE continued to promote publicity and education by launching campaigns for participation by foreign exchange inspectors, such as the Foreign Exchange Administration Knowledge and Skill Contest and the Knowledge Contest on Financial Institution Foreign Exchange Operations; held and granted awards at the 5th on-line "Foreign Exchange Quiz", which attracted the participation of 500000 person-times from all over China and achieved positive social results.

General ideas on enforcement of the foreign exchange inspections and regulations in 2012 are detailed as follows: The SAFE shall intensify efforts to monitor and crack down on hot money and other abnormal cross-border fund flows; actively use the off-site inspection system to conduct special inspections and investigations of key subjects, channels, and links; increase efforts to fight against illegal foreign exchange activities such as underground money shops; improve the inspection modes and methods; further promote the construction of a foreign exchange credit system; and strengthen dissemination of foreign exchange administration policies and foreign exchange inspection work.



Box 8 Rigorously Cracking Down on Illegal Foreign Exchange Activities

Underground money shops are underground organizations providing illegal financial services for profiteering. The underground money shops investigated and punished by the SAFE in collaboration with the public security departments are those that mainly engage in the illegal exchange of cross-border funds. The funds transacted through underground money shops include the hot money for illegal speculative activities for evasion of taxation supervision or funds that cannot be transferred through regular channels. Through network trading in underground money shops, the said funds avoid legal and regulatory restrictions in terms of a review of the sources, fund transfers, and so forth, thus undermining the financial market. By means of respective netting delivery of RMB and foreign currencies in the domestic and foreign markets, underground money shops "realize" RMB convertibility and even fuel short-term international capital movements. They not only can be a channel for bringing hot money into the domestic capital market, but also an accomplice in assisting capital flight. These underground fund flows have severely damaged and disturbed order in our economic and financial markets.

Working closely with the public security departments. Since 2001 when the National Joint Office to Crack Down on Illegal Foreign Exchange Trading was established by the SAFE and the Ministry of Public Security (MPS), the foreign exchange administrative departments and public security organs have worked closely, making full use of their functional advantages, making overall plans, taking joint actions, and continuing to crack down on various kinds of illegal foreign exchange activities. From 2007 to 2011, in partnership with the public security organs, the foreign exchange administrative departments ferreted out 65 cases of underground money shops, 26 cases of on-line foreign exchange speculation, and 119 cases of illegal foreign exchange transactions, and they arrested over 1000 criminal suspects and imposed administrative penalties in the amount of RMB160 million.

Adopting off-site monitoring tools to improve the efficiency of the inspections. Underground money shops typically conduct illegal operations using untraceable tricks, such as establishing shell companies and transferring funds via multiple accounts. By setting some indexes for monitoring abnormal conditions, the authorities in charge of foreign exchange administration have built an off-site monitoring system, and have timely discovered traces and obtained clues about

Box 8 (concluded)

illegal trading in underground money shops based on the experience of previous cases, thereby significantly improving the efficiency of cracking down on the underground money shops.

Extending inspections and tracking other illegal and irregular foreign exchange activities. While destroying the underground money shops, the foreign exchange administrative departments extended the inspections to the counterparties involved in the underground money shops transactions and intensified investigations of and penalties for irregular behavior by other exchange-related subjects who were part of the transactions. Over the last two years, a large number of cases attempting to make bogus foreign investments through underground money shops have been investigated and punished.





Box 9 Enhancing Approaches to Off-site Inspections to Crack Down Precisely on Illegal Cross-border Capital Flows

In 2011, the SAFE earnestly implemented the requirements of the "five transformations" in the modes and concepts of foreign exchange administration, focusing on promotion of the off-site system for foreign exchange inspections and proactively advancing innovations in the modes and means of foreign exchange administration. The said off-site inspection system is playing an increasingly important role in effectively detecting and attacking hot money and other illegal cross-border capital flows.

Applying the off-site system for foreign exchange inspections to effectively crack down on hot money and other illegal cross-border capital flows. In 2011, the SAFE carried out six rounds of focused analysis of the off-site inspection system and discovered 1930 clues about hot money and other illegal capital inflows; 338 foreign exchange violations were investigated and disclosed on the spot, and administrative penalties totaling RMB177 million were imposed. The across-the-board promotion of the off-site system further improved the capacity of the administrative departments to discover clues about capital flows in violation of the laws and regulations, served as a powerful weapon to crack down precisely on hot money and other illegal cross-border capital flows, and enhanced the precision, initiative, and effectiveness of cracking down on illegal activities related to the foreign exchange business.

Advancing the obvious advantages of the approaches to off-site inspections of foreign exchange business. The off-site inspection system for foreign exchange business is an open and extendable application platform with obvious advantages to detect and determine clues about illegal foreign exchange activities. Currently, the said system has accumulated nearly a hundred empirical index formulas and query approaches, fully covering the primary means and channels for transactions of hot money and other illegal cross-border capital flows. The features of the system are as follows: First, wide coverage. The system covers various foreign exchange-related subjects, such as banks, non-bank financial institutions, enterprises, and individuals, and can monitor almost all the information on foreign exchange transactions under the current account and the capital account. Second, a strong capability to search for information. It may screen suspicious and irregular transactions from a vast amount of foreign exchange transaction

Box 9 (concluded)

data, sketch the entire track of capital operations by participants in suspicious and irregular transactions, and consequently promptly and accurately identify subjects in violation of the laws and regulations.

Tapping the potential of the off-site inspection system of foreign exchange business and effectively enhancing the deterrent force of the foreign exchange inspections. In the practical application of the off-site inspection system for foreign exchange business, a batch of major and serious foreign exchange violations were effectively detected and penalized, making breakthroughs in the investigation and punishment of major and serious criminal cases. In 2011, 11 branches of the SAFE, with the help of the off-site inspection system, investigated and punished 48 serious cases and imposed penalties of more than RMB1 million on each of them. The use of the off-site inspection instrument not only strengthened the deterrent force against foreign exchange violations, but also further discouraged the sentiment of a few enterprises, banks, and individuals intending to commit illegal activities, and effectively maintained market order for lawful operations by market entities.



Operation and Management of Foreign Exchange

Reserves

Improving the operation and management modes of foreign exchange reserves and optimizing the strategic layout of medium and long-term monetary assets. The SAFE further explored the investment and management modes of foreign exchange reserves as consistent with China's actual conditions and adapted to the need for large-scale asset management, and optimized the multi-level investment benchmark management system. Intensified efforts were made to carry out research on the relative value of various assets and to boost diversified and decentralized investments to overcome the adverse impacts of the volatile international financial markets and sustained low interest rate environment, achieving security, liquidity, value preservation and increments in foreign exchange reserves assets.

Continuing to enhance risk management and steadily coping with the European and US debt crises. The SAFE completed the early-warning risk mechanism, closely tracked, researched, and judged crisis trends, and promptly initiated crisis response plans; adjusted risk management policies in a timely manner, intensifying daily monitoring of a variety of risks; and ensured that all risk policies were in place. Meanwhile, based on the principle of prudent investment and risk controls, within the scope of its authority, it flexibly and discreetly captured investment opportunities in the turbulent market environment.

Expanding the innovative application of foreign exchange reserves to serve the overall situation of national economic development. SAFE Co-Financing was set up to expand the channels and ways of applying the foreign exchange reserves to actively back up the "going global" of enterprises and other national strategies, and brought into full play the role of the foreign exchange reserves in supporting national economic development.

Proceeding with institutional and team building and shoring up a foundation for the operation of foreign exchange reserves. Continuous efforts were made





to improve the construction of overseas operations platforms and city-wide backup centers for foreign exchange reserves. IT applications were vigorously advanced, with a platform of an independently developed application system meeting the demands of foreign exchange reserves operations. Arrangements of internal organs and posts were perfected, optimizing the introduction, selection, training, and an incentive mechanism for personnel.

General ideas on the operation and management of foreign exchange reserves in 2012 are detailed as follows: The SAFE shall continue to place priority on the safety of foreign exchange reserves assets, strengthen research and judgments about the situation, optimize monetary asset layouts, and further improve the institutional mechanism for the operation and management of foreign exchange reserves; press ahead with rigorous risk management, refine crisis response programs, step up judgments on overall investment risks and early warnings of the risks of all kinds of investment products, and hammer out more risk management tools; further expand the investment channels, make innovations in the application methods for foreign exchange reserves, and refine the global operation platform; and establish a sound long-term incentive mechanism for the operations and management staffs.



Box 10 Intensifying Efforts to Build a Personnel Team for Foreign Exchange Reserves Operations

A personnel team is both the core competitiveness and the fundamental guarantee in the operations of China's foreign exchange reserves. After years of effort, personnel selection, appointment, cultivation, and retention systems fitting the needs of actual work have been gradually established, providing sufficient and reliable guarantees for personnel and intellectual support for the operations of foreign exchange reserves.

Establishing a multi-channel and multi-layered system to bring in personnel. The first is to enhance the traditional channels to bring in personnel, such as recruitment of college graduates. There have been innovations in the personnel selection techniques and discipline backgrounds of the selected personnel were broadened, with special attention paid to candidates with science and engineering backgrounds so as to supplement the structure of the professional background of the existing personnel team. The second is to expand the channels to bring in overseas personnel. Apart from absorbing high-level overseas personnel via the country's "Thousand Person Plan", foreign exchange reserves operations normalized overseas recruitment and carried it out annually in an orderly manner. The third is to recruit personnel with social work experience. Between 2007 and 2011, 134 fresh graduates from domestic and foreign colleges and universities as well as 27 professionals with work experience (including overseas recruits) were brought in. The personnel team for foreign exchange reserves operations witnessed a growing internationalization and professionalization, specifically 39% of the staffs have overseas educational backgrounds and work experience, and 43% have acquired internationally recognized qualifications in the financial industry, such as CFAs (Chartered Financial Analysts) and FRMs (Financial Risk Managers).

Structuring a system for the cultivation and development of personnel. The foreign exchange reserves operations relied heavily on strategies for the organization and development of personnel. On the one hand, a personnel cultivation and management system was explored and structured, covering multiple links, including work arrangements, education and training, and personnel development; on the other hand, according to the characteristics of the foreign exchange reserves operations staffs, career development paths such as a professional and technical sequencing and a supervisory sequencing were designed, and a platform



Box 10 (concluded)

for conducting international exchanges and continuously developing professional skills was offered in an effort to encourage such staffs to play a greater role in the operation of foreign exchange reserves.

Perfecting the incentive mechanism for personnel. Based on the actual work characteristics, in-depth research was conducted to improve staff incentive mechanisms and to update the personnel selection, appointment, and turnover and allocation systems. The features and needs of professionals were fully taken into account, and the compensation and performance assessment systems were designed in a scientific and rational way; cultural development was significantly advanced and guidelines for the operations staffs — "Dedication, Discipline, Progression, and Cooperation" were practiced to create an enabling work atmosphere to make the best possible use of personnel.



Construction of the Legal System for Foreign Exchange Administration

Promoting the construction of the legal system and improving the level of law-based administration. Centering on the central tasks of foreign exchange administration, the SAFE accelerated execution of the "Five Transformations" in terms of foreign exchange administrative concepts and modes, released and enforced the *Implementation Outline for Promoting Law-based Administration in An All-round Way*, reinforced and advanced institutional development, adhered to law-based, scientific and democratic decision-making, fully promoted disclosure of government affairs, consolidated administrative supervision and accountability, and pressed ahead with law-based foreign exchange administration in an all-round way.

Expediting a top-level design of the legal framework and a check-up of the laws and regulations and building a clear and reasonable legal system for foreign exchange administration. In 2011, a total of 36 documents on foreign exchange administration were annulled, the initial proposal to integrate laws and regulations on foreign exchange administration in such key areas as trade in goods, trade in services, and foreign direct investment was accomplished, and the Catalogue of Existing Laws and Regulations in Effect as of the end of June 2011 was posted on the SAFE website.

Streamlining the process for administrative examination and approval and completing the administrative law enforcement system. Sixteen items subject to administrative examination and approval of returns of foreign exchange under advance payments for imports were cancelled in 2011. Administrative examination and approval procedures were further streamlined, and power was delegated to the lower levels for items requiring administrative approval. The SAFE also established and improved the internal deliberation mechanism for key administrative approval items as well as the collective discussion mechanism for administrative penalty cases.

General ideas for the construction of a legal system for foreign exchange administration in 2012 are detailed as follows: The SAFE shall adjust the



regulatory framework for foreign exchange administration and standardize rule-making procedures, accelerate the integration of laws and regulations concerning foreign exchange administration, step up the check-up of normative documents of branches and sub-branches, and comprehensively raise the level of trade and investment facilitation and law-based administration.



Disclosure and Dissemination of Information on Government Affairs

Energetically publicizing the results and working ideas on the reform of foreign exchange administration. Promotion of a thematic series on a "Review of the 11th Five-year Plan and Prospects for the 12th Five-year Plan" were organized through the SAFE website and other platforms to fully reflect the results of the reform of the foreign exchange administration reform during the 11th Five-year Plan period.

Disseminating policies on foreign exchange administration in a systematic manner. In parallel with promulgation of significant policies, laws, and regulations on foreign exchange administration, the SAFE made vigorous efforts to enhance the transparency of foreign exchange administration policies by disseminating to the general public the background, key points about the content, and the significance of the relevant policies via the SAFE website. Meanwhile, the SAFE intensified efforts to communicate with the news media, experts, and scholars to create conditions for all circles in the society to properly recognize trends in foreign exchange business and to understand foreign exchange policies.

Actively addressing social concerns. The SAFE actively responded to hot issues in the society, such as hot money and foreign exchange reserves. In response to hot money, the SAFE published the *2010 Monitoring Report on China's Cross-Border Capital Flows*, which introduced China's cross-border capital flows in recent years. The achievements of cracking down on the inflows of hot money by the SAFE were announced, and in exclusive interviews with the media the relevant leaders of the SAFE discussed the response to and the crackdown hot money and other irregular capital flows to facilitate the citizens' understanding of the dangers of hot money inflows and the relevant countermeasures. The FAQs on Foreign Exchange Reserves were released in three consecutive issues, answering related issues and attracting the attention of the media and the public.

Intensifying efforts to disclose statistical data on foreign exchange business.



The SAFE also narrowed the publication interval by releasing data on the International Investment Position on a quarterly basis. Based on the release of aggregate data on the banks' cross-border receipts and payments as well as their settlement and sales of foreign exchange transactions on behalf of clients on a monthly basis, the SAFE further promulgated the relevant time-series data on a transaction item-specific basis during 2001-10 and issued the breakdown of the information on a monthly basis. The *Correct Interpretation of China's International Investment Position* was published in the *Financial Times* to help the general public better understand the International Investment Position.

Earnestly carrying out the disclosure of government information. In accordance with the provisions in the *Regulations of the People's Republic of China on the Disclosure of Government Information*, the SAFE released relevant policies, laws, regulations, statistical data, and business information on foreign exchange administration via the SAFE website, the *Gazette of the State Administration of Foreign Exchange*, and other channels in a timely and comprehensive manner, and constantly enhanced the interpretation of government information on foreign exchange administration that has a higher degree of social concern or that is highly specialized. The final settlement of the "three public expenditures" (government expenses for overseas trips, food and entertainment, and public vehicles) in 2010 and the "three public expenditures" budget for 2011 of the SAFE were disclosed on a timely basis for public supervision. Furthermore, the construction of a new version of the SAFE website was efficiently promoted to give full play to its role as a critical platform for information disclosure. Meanwhile, the SAFE appropriately accepted and responded to applications for the disclosure of government information in accordance with the law. In 2011, 1 application for the disclosure of government information was handled in accordance with the law, which received a response in compliance with the prescribed time limit and procedures.

Successfully completing the handling of suggestions and proposals collected from the NPC and CPPCC in 2011. Attaching great importance to the handling of suggestions and proposals collected from the NPC and CPPCC. In 2011, 65 suggestions from the NPC and proposals from the CPPCC were

accepted and handled, to which the replies were satisfactorily completed. In handling these suggestions and proposals, the SAFE played an active role in improving its working system, continuously making innovations to its work method, facilitating the exchange of ideas and communication with the delegates and committee members of the NPC and CPPCC by such means as investigations and informal discussions, and carefully studying and assimilating their comments and suggestions, thereby further promoting the reform and development of foreign exchange administration.

General ideas for the disclosure and dissemination of information on government affairs in 2012 are detailed as follows: The SAFE shall carry out activities to publicize foreign exchange administration policies at multiple levels and from different perspectives, further enhance the transparency of foreign exchange administration, and actively respond to questions of public concern so as to facilitate the understanding by market entities of the reform of foreign exchange administration and of the relevant policies and measures. Furthermore, the pilot operation of the new version of the official website of the SAFE, and the building of an effective platform for the disclosure and dissemination of information on government affairs shall be earnestly promoted. Disclosure of government information will be enhanced by means of both active disclosure and disclosure upon application. The SAFE shall carefully handle suggestions and proposals put forward by the NPC and the CPPCC, and strengthen communications and contacts with the delegates and committee members of the NPC and the CPPCC in an effort to incorporate their comments and recommendations into foreign exchange administration practices.



IT Applications

Vigorously carrying out systemic and data integration. Efforts were made to straighten out and integrate business links, reorganize and reconstruct business processes, and integrate the foreign exchange management business of the capital account. The SAFE completed integration of the application portals of one dozen foreign exchange business systems, such as the Foreign Exchange Management Information System for Direct Investments, the Banks' Statistical System for the Settlement and Sale of Foreign Exchange, the Trade Credit Registration Management System, and the Off-site Inspection System for Trade in Services. Centralized management of basic data sources was realized and a time-series data resource pool took shape, as comprehensive use of the data proceeded in tandem. The comprehensive data utilization platform (Phase I) was set up and rolled out nationwide, with the capital account as the entry point. The work program and analysis platform for SAFE cross-border capital flow monitoring were established, and steady progress was made in related areas.

Carrying out prospective studies. The *Implementation Breakdown of the 12th Five-year IT Plan for Foreign Exchange Administration* was drafted, classifying IT applications during the 12th Five-year Plan period into 9 items and 39 sub-items, with definite schedules and responsible departments. Solid progress was made in implementation.

Continuously improving the level of standardization. The *Detailed Rules of the State Administration of Foreign Exchange on Implementation of Standardization Management of the Information System Codes* were revised and improved, and the *Standard Library and Operating Guide of the State Administration of Foreign Exchange on the Information System Codes* (Version [2011]) was published. Efforts were made to upgrade the information management system for foreign exchange code standards, to improve archival organization administration, and to establish a system for sharing foreign exchange code standards.

Promoting the construction of application systems. The business systems



under trade in goods were integrated, and a foreign exchange monitoring system for trade in goods was constructed, taking the opportunity of the reform of foreign exchange management of trade in goods. After the foreign exchange monitoring system for trade in goods was developed, a pilot was implemented to ensure steady progress in the overall reform of foreign exchange administration. Construction of the cross-border RMB business module in the direct investment system was completed and Phase III construction of the direct investment system was steadily promoted. A video conferencing system was built and the scope for interconnections between the e-banking system of commercial banks and the individual foreign exchange settlement and sales system was constantly extended.

Deepening the integration of basic software and hardware sources. Advanced technologies were adopted to further enhance the business handling capability, resource utilization, and data security of the system. An operations and maintenance platform and a knowledge base were established, and a new mechanism for management of integrated operations and maintenance of the branches and sub-branches was explored.

Further safeguarding network and information security. Efforts were made to successfully safeguard information security during the Universiade Shenzhen 2011 and the Xi'an 2011 World Horticultural Expo, to implement construction of a program of confidential information systems for classified protection, establish a technical protection system for the cascade protection as well as a new office automation system for the confidential network and an e-archiving management system.

Energetically developing e-government. Construction of the new SAFE website and bank information portal was advanced to provide banks with an information service and interaction platform. The on-line service platform was upgraded and transformed.

General ideas on IT applications for foreign exchange administration in 2012 are detailed as follows: The SAFE shall focus on its central tasks, vigorously launch system and data integration, and accelerate business system development in an effort to collect unified and efficient cross-border capital data, and to establish monitoring, analysis, and early-warning systems.

International Exchanges and Cooperation

Strengthening administration for overseas official business visits. The administrative provisions for overseas official business visits were modified based on the administrative principle of "Aggregate Control, Plan Approval, Overall Arrangement, and Securing Priorities" was established. Efforts were made to implement the strict economic requirements and, accordingly, to place priority on facilitating the central work of foreign exchange administration and the reform in key areas, to strictly implement pre-arranged planning for overseas official business visits, to scientifically manage projects to which foreign parties have been invited, and to reasonably control the number of persons and teams on overseas visits for official business.

Deeply conducting international exchanges. In 2011, China's foreign exchange reserves, the crackdown on hot money, RMB internationalization, and other issues all attracted global concern, and the SAFE actively handled international communications. Efforts were made to arrange orderly high-level talks with the European Financial Stability Facility and the Bank for International Settlements, actively carry out business negotiations with international institutions, such as the International Monetary Fund and the World Bank, and properly conduct routine exchanges with the embassies of the relevant countries in China.

Promoting regional cooperation in financial areas. Staffs were sent to attend working conferences, such as the "Conference of the Mainland-Hong Kong Internal Work Group on Financial Matters", and the "Negotiations on the Mainland-Taiwan Investment Protection Agreement", to promote Asian-Pacific regional financial cooperation. Work was carried out in areas such as the negotiations on the China-UK investment partnership and the meetings of the China-Kazakhstan Financial Cooperation Subcommittee to promote bilateral economic exchanges between China and other countries. Staffs were sent to attend the "meetings of central banks experts on BIS international financial statistics" and the "working conferences of the G20 Sub-Working Group on Capital Flow Management" to discuss the promotion of global financial stability.



Carrying out translations of and research on international financial materials.

The achievements obtained on official business overseas visits were actively shared, and excellent reports on the overseas visits were carefully selected for the purpose of preparing and issuing internal publications. Efforts were made to conscientiously carry out independent research and translation work, to mine for useful information in international exchange activities, to pay attention to, translate, and edit the results of the latest research achievements by the top worldwide research institutions with respect to foreign exchange administration.

General ideas on international exchanges and cooperation in 2012 are detailed as follows:

The SAFE shall closely focus on the central task of foreign exchange administration, give full play to the foreign affairs coordination and management functions, carry out overall planning of international and domestic resources, and expand the range of external relations. The foreign exchange authorities shall go global to learn and to draw on the advanced overseas experiences while promoting working progress in a down-to-earth manner. Meanwhile, they shall straighten out systems and institutions, standardize management, strengthen education and training, including management services, and expand international exchanges so as to comprehensively upgrade the management of foreign affairs.



Internal Management

Perfecting the personnel management system for cadres. In accordance with overall arrangements of the CPC Central Committee to improve the degree of satisfaction with respect to selecting and appointing cadres, and in light of the actual situation, the SAFE discussed and formulated the *Work Plan of the State Administration of Foreign Exchange on Improving the Degree of Satisfaction with Respect to Selecting and Appointing Cadres*, and amended a number of systems and measures, such as the *Provisions of the State Administration of Foreign Exchange on Selecting and Appointing Cadres at the Departmental and Divisional Levels*, the *Measures of the State Administration of Foreign Exchange on Leading Cadre Competition for Positions at the Departmental and Divisional Levels*, and the *Measures of the State Administration of Foreign Exchange on the Exchange of Leading Cadres at the Departmental and Divisional Levels*.

Strengthening institutions to build the ranks of cadres. Efforts were increased to select cadres through competition, and competition for positions at the deputy departmental level continued to be carried out. The building of the discipline inspection and supervision institution was strengthened, the SAFE's Discipline Inspection Group and Supervision Office were established, and the strength of the discipline inspection and supervisory cadres was increased. A number of methods were taken to promote the rotation and exchange of cadres, and for training purposes, cadres were actively dispatched to some commercial banks, large-scale state-owned enterprises, local governments, and overseas financial regulatory departments to serve in temporary positions. Domestic and overseas training was carried out for cadres in a variety of forms, levels, and channels, and the learning content independently selected by the cadres was further enriched.

Strengthening internal audit efforts. The SAFE improved the foundation for internal auditing and the internal control system, discussed and formulated some systems, such as the *Measures of the State Administration of Foreign Exchange on Audits on the Resignation of Leading Cadres (Trial)*, and the *Measures of the State Administration of Foreign Exchange on Collective*



Discussions of Internal Auditing and Internal Control Work. Efforts were increased to supervise counterparts at the same level, and comprehensive audits, resignation audits, and on-site inspections with respect to special campaigns against "private treasuries" were carried out in the relevant departments of the SAFE. Comprehensive audits and special audits were carried out in some branches. Efforts were increased to carry out research on the theory of foreign exchange administration audit performance and work was organized and guided with respect to internal control supervision of the foreign exchange administration system.

Energetically strengthening ideological and political building. In 2011, in accordance with the uniform arrangements of the CPC Central Committee and taking the opportunity of the occasion of the 90th anniversary of the founding of the CPC, cadres who are Party members were organized to conscientiously study the important speech delivered by General Secretary Hu Jintao on "July 1," and training courses were held two occasions for cadres above the deputy divisional level who are Party members. Efforts were made to invite experts to give Party lectures, organize Party history knowledge contests, carry out singing contests based on the theme of "Presenting a Ode to the Party," and commend the advanced grassroots Party organizations, outstanding Party members, and Party affairs workers. The activities of "Establishing Advanced Grassroots Party Organizations, and Striving to be Outstanding Party Members" continued to be deeply carried out, and leaders' comments on the activities and mass appraisal were conducted.

Conduct the building of clean government in an earnest manner. Reinforcement of construction of the Party's work style and clean government and active promotion of law-based administration were combined to deeply carry out the campaign of "Warning Education Month for Construction of the Party's Work Style and Clean Government," to participate in the "Contest on Knowledge about Honest and Clean Government to Commemorate the 90th Anniversary of the Founding of the CPC" organized by the Work Committee of Central Government Departments, and the on-line "Test for Leading Cadres on Knowledge about Clean Government 2011" organized by the People's Bank of China. The *Measures of the State Administration of Foreign Exchange for Implementation of the Responsibility System in the Construction*

of the Party's Work Style and Clean Government were promulgated to define the responsibilities assumed by the leadership team and the leading cadres in the construction of the Party's work style and clean government. A Discipline Inspection Group was established, and the discipline inspection and supervision organizations were improved. Training for the members of the Discipline Inspection Commission of the SAFE was carried out to further improve the scientific level of building clean government.

Further regulating work order. Construction of the video conferencing system was completed, and video conferences convened with the SAFE branches achieved good results. The *Circular on Relevant Issues Concerning Further Regulating Management of Branch Seals* was promulgated to unify management of the branches' business seals, and to guard against the risks of irregular use of the seals. Government procurement work procedures were continuously improved and further regulated, through formulation of the *Work Program of the State Administration of Foreign Exchange for the Government Procurement Plan and Its Implementation and Report*, on the basis of the actual situation.

Improving the level of budget management. Efforts were made to further improve financial management measures, enhance the capability to legally manage finances, and strengthen and refine the scientific management of the budget. The rigorous economic requirements of the CPC Central Committee were conscientiously implemented to strictly control expenditures on the "Three Public" expenses. Special campaigns against "unit-owned exchequers" were seriously carried out, and the construction of a SAFE long-term mechanism to control the "private treasuries" was strengthened. The use of "accounting software for special funds" was promoted to advance the process of electronic and network management of special funds.

General ideas on internal management in 2012 are detailed as follows: Taking as the main line the occasion of convening the 18th National Party Congress, continue to deepen education about the construction of Party organizations, continuously strengthen implementation of such systems as democracy within the Party and open management of Party affairs, and enhance management and education of cadres who are Party members. Study and establish an integrity reporting system for cadres who are being considered for promotion,

and intensify examinations of cadre integrity. Taking maintenance of the purity of the Party as a priority, further strengthen education on clean government for leading cadres, strictly implement the responsibility system for the construction of the Party's work style and clean government, and put more effort into supervising leading cadres who are Party members. Promulgate the *Work Notice for the Staffs of the State Administration of Foreign Exchange* and the *Measures of the State Administration of Foreign Exchange on the Processing of Official Documents* to further regulate work order. Further improve and refine budget management measures, oversee and urge the SAFE branches to improve the relevance of appropriation expenditures and special businesses, and enhance management of the special funds appropriated by the local governments. Further establish and improve the basic database for work related to archives, letters and visits, seal management, sending and receiving documents, and subscribing to newspapers and periodicals. Establish and improve the SAFE library on basic information about government procurement, and continuously raise the level of government procurement work.





Box 11 Improving the Scientific Level of Building Clean Government

The year 2011 was the first year of the Twelfth Five-year Plan. The SAFE comprehensively implemented the decisions and arrangements of the CPC Central Committee and the State Council on construction of the Party's work style and clean government and on the anti-corruption campaign, adhered to the guiding principles of addressing both the existing problems and the root causes, treating them comprehensively, and combining punishment with prevention while focusing on the latter, planning and promoting implementation of the idea of scientific development, improving the scientific level of work on clean government, and providing the foreign exchange administration work with effective political guarantees.

First, conscientiously implementing the spirit of the relevant conferences of the CPC Central Committee and the State Council, and serving the overall situation of foreign exchange administration work. Efforts were made to combine the thorough implementation of the spirit of the Sixth Plenary Session of the CPC Central Commission for Discipline Inspection and the Fourth Working Conference of the State Council on Building Clean Government and implementation of the spirit of the national foreign exchange administration working conference; adhere to carrying out foreign exchange administration business as well as construction of the Party's work style and clean government; implement such construction throughout the complete process of foreign exchange administration business; achieve the results of simultaneous arrangements, simultaneous implementation, and simultaneous inspections; form working ideas that "define the direction of the construction of the Party's work style and clean government with a focus on the working ideas of the CPC Central Committee, grasping well the priorities of such construction with a focus on the overall situation in foreign exchange administration work, and doing a good job in arranging and coordinating the resources for such construction, with the focus on the work of the CPC Leading

Box 11 (continued)

Group of the SAFE"; and effectively give play to the function of such construction to "focus on the central task and serve the overall situation."

Second, paying equal attention to education about clean government and regulation of power. The activities of the Warning Education Month for Construction of the Party's Work Style and Clean Government were carried out efficiently. The mindsets of all cadres and employees to build a clean government were strengthened through such means as the training of cadres above the deputy divisional level on building clean government, the special counseling report on building clean government, Party Day activities with the theme of clean government, and the contest on knowledge about internal auditing. The SAFE staffs took part in the "Contest on Knowledge about Honest and Clean Government to Commemorate the 90th Anniversary of the Founding of the CPC" organized by the Work Committee of the Central Government Departments, and the on-line "Test on Knowledge about Clean Government for Leading Cadres 2011" organized by the People's Bank of China, thereby enriching the knowledge of all cadres and employees about building clean government. Efforts were made to combine reinforcement of construction of the Party's work style and clean government and promotion of law-based administration, to convene a "special conference for strengthening the building of clean government and law-based administration", to promote the specific requirements for making breakthroughs, such as improving the regulatory system, regulating power, and improving transparency, to strengthen the building of clean government and law-based administration, to strive to do a good job in ex-ante prevention, to guard against and control the risk of corruption, and to guarantee the correct exercise of administrative power.

Third, system building and implementation of the responsibility system being inseparably interconnected. In light of the status quo in the construction of a team of Party members and practices in foreign exchange administration work, and on





Box 11 (concluded)

the basis of extensive solicitation of opinions and suggestions, the *Measures of the State Administration of Foreign Exchange on Implementation of the Responsibility System in Constructing the Party's Work Style and Clean Government* were issued to define the responsibilities to be assumed by the leadership team and the leading cadres to construct the Party's work style and clean government. A leading group on the Responsibility System for Construction of the Party's Work Style and Clean Government was formed, with Administrator Mr. Yi Gang as group leader and all department chiefs as members, to strengthen organizational leadership. The responsibility documents for such construction were executed on a level-by-level basis to deepen the awareness and responsibility of each department chief with respect to the "One Position with Dual Responsibilities", and to establish a sound responsibility system.

Fourth, simultaneously promoting institutional improvements and organizational construction. The SAFE's Discipline Inspection Group and Supervision Office were established and given defined work responsibilities and special resources to reinforce construction of a leadership system and a mechanism for discipline inspection and supervision. Focusing on long-term development, the *Work Plan of the State Administration of Foreign Exchange for Constructing the Party's Work Style and Clean Government (2011-2015)* was promulgated to comprehensively sort out the basic principles, work ideas, work objectives, and work tasks for the next five years. Training of the members of the Commission for Discipline Inspection of the SAFE was carried out to enhance the capability and quality of the part-time discipline inspection and supervision cadres and to provide an organizational guarantee to construct the Party's work style and clean government.

Foreign Exchange Statistics

Table S1 China's Balance of Payments, 2011

Unit: 100 million US dollars

Items	Line	Balance	Credit	Debit
I. Current Account	1	2017	22868	20851
A. Goods and Services	2	1883	20867	18983
a. Goods	3	2435	19038	16603
b. Services	4	-552	1828	2381
1. Transportation	5	-449	356	804
2. Travel	6	-241	485	726
3. Communication Services	7	5	17	12
4. Construction Services	8	110	147	37
5. Insurance Services	9	-167	30	197
6. Financial Services	10	1	8	7
7. Computer and Information Services	11	83	122	38
8. Royalties and Licensing Fees	12	-140	7	147
9. Consulting Services	13	98	284	186
10. Advertising and Public Opinion Polling	14	12	40	28
11. Audio-visual and Related Services	15	-3	1	4
12. Other Business Services	16	140	323	183
13. Government Services, n.i.e.	17	-3	8	11
B. Income	18	-119	1446	1565
1. Compensation of Employees	19	150	166	16
2. Investment Income	20	-268	1280	1549
C. Current Transfers	21	253	556	303
1. General Government	22	-26	0	26
2. Other Sectors	23	278	556	277
II. Capital and Financial Account	24	2211	13982	11772
A. Capital Account	25	54	56	2
B. Financial Account	26	2156	13926	11770
1. Direct Investment	27	1704	2717	1012
1.1 Abroad	28	-497	174	671
1.2 In China	29	2201	2543	341
2. Portfolio Investment	30	196	519	323
2.1 Assets	31	62	255	192
2.1.1 Equity Securities	32	11	112	101
2.1.2 Debt Securities	33	51	143	91
2.1.2.1 Bonds and Notes	34	50	137	88
2.1.2.2 Money Market Instruments	35	2	5	4

Table S1 (concluded)

Items	Line	Balance	Credit	Debit
2.2 Liabilities	36	134	265	131
2.2.1 Equity Securities	37	53	152	99
2.2.2 Debt Securities	38	81	113	32
2.2.2.1 Bonds and Notes	39	30	61	32
2.2.2.2 Money Market Instruments	40	51	51	0
3. Other Investment	41	255	10690	10435
3.1 Assets	42	-1668	1088	2756
3.1.1 Trade Credits	43	-710	0	710
Long-term	44	-14	0	14
Short-term	45	-695	0	695
3.1.2 Loans	46	-453	61	513
Long-term	47	-433	8	441
Short-term	48	-20	53	73
3.1.3 Currency and Deposits	49	-987	501	1489
3.1.4 Other Assets	50	482	526	44
Long-term	51	0	0	0
Short-term	52	482	526	44
3.2 Liabilities	53	1923	9602	7679
3.2.1 Trade Credits	54	380	454	74
Long-term	55	6	8	1
Short-term	56	374	447	73
3.2.2 Loans	57	1051	7343	6292
Long-term	58	130	538	408
Short-term	59	920	6805	5884
3.2.3 Currency and Deposits	60	483	1719	1237
3.2.4 Other Liabilities	61	10	86	76
Long-term	62	-15	24	39
Short-term	63	24	61	37
III. Reserves Assets	64	-3878	10	3888
3.1 Monetary Gold	65	0	0	0
3.2 Special Drawing Rights	66	5	5	0
3.3 Reserves Position in the Fund	67	-34	6	40
3.4 Foreign Exchange	68	-3848	0	3848
3.5 Other Claims	69	0	0	0
IV. Net Errors and Omissions	70	-350	0	350

Note: 1. This statement employs rounded-off numbers.

2. The data on this statement are the sum total of the data for the quarters.

Table S2 Abridged Balance of Payments, 1990–2011

(1)

Unit: million US dollars

Item \ Year	1990	1991	1992	1993	1994
I. Current Account Balance	11997	13271	6401	-11904	7658
Credit	60767	70507	85618	92237	126435
Debit	48770	57236	79217	104141	118777
A. Goods and Services Balance	10668	11601	4998	-11792	7357
Credit	57374	65898	78817	86557	118927
Debit	46706	54297	73819	98349	111570
a. Goods Balance	9165	8743	5183	-10654	7290
Credit	51519	58919	69568	75659	102561
Debit	42354	50176	64385	86313	95271
b. Services Balance	1503	2858	-185	-1138	67
Credit	5855	6979	9249	10898	16366
Debit	4352	4121	9434	12036	16299
B. Income Balance	1055	840	248	-1284	-1036
Credit	3017	3719	5595	4390	5738
Debit	1962	2879	5347	5674	6774
C. Current Transfers Balance	274	830	1155	1172	1337
Credit	376	890	1206	1290	1770
Debit	102	60	51	118	433
II. Capital and Financial Account Balance	-2774	4581	-251	23474	32644
Credit	20377	20323	30223	50828	61793
Debit	23151	15742	30474	27354	29149
A. Capital Account Balance	0	0	0	0	0
Credit	0	0	0	0	0
Debit	0	0	0	0	0
B. Financial Account Balance	-2774	4581	-251	23474	32644
Credit	20377	20323	30223	50828	61793
Debit	23151	15742	30474	27354	29149
1. Direct Investment Balance	2657	3453	7156	23115	31787
Credit	3487	4366	11156	27515	33787
Debit	830	913	4000	4400	2000
2. Portfolio Investment Balance	-241	235	-57	3050	3543
Credit	0	565	865	5042	4493
Debit	241	330	922	1992	950
3. Other Investment Balance	-5190	893	-7350	-2691	-2686
Credit	16890	15392	18202	18271	23513
Debit	22080	14499	25552	20962	26199
III. Reserves Assets	-6089	-11091	2102	-1767	-30527
Credit	0	0	2427	54	0
Debit	6089	11091	325	1821	30527
Incl. Balance of Foreign Exchange Reserves	-5543	-10619	2269	-1756	-30421
IV. Net Errors and Omissions	-3134	-6761	-8252	-9803	-9775

(2)

Unit: million US dollars

Item \ Year	1995	1996	1997	1998	1999
I. Current Account Balance	1618	7242	36963	31471	21114
Credit	154257	181363	218427	217670	234661
Debit	152639	174121	181464	186199	213547
A. Goods and Services Balance	11958	17550	42823	43837	30641
Credit	147240	171677	207239	207425	220964
Debit	135282	154127	164416	163589	190323
a. Goods Balance	18050	19535	46222	46614	35980
Credit	128110	151077	182670	183529	194716
Debit	110060	131542	136448	136916	158735
b. Services Balance	-6092	-1985	-3399	-2777	-5339
Credit	19130	20600	24569	23896	26248
Debit	25222	22585	27968	26673	31588
B. Income Balance	-11774	-12437	-11004	-16644	-14470
Credit	5191	7318	5711	5584	8330
Debit	16965	19755	16715	22228	22800
C. Current Transfers Balance	1434	2129	5143	4278	4943
Credit	1826	2368	5477	4661	5367
Debit	392	239	334	382	424
II. Capital and Financial Account Balance	38675	39967	21015	-6321	5180
Credit	67712	70977	92637	89327	91754
Debit	29037	31010	71622	95648	86574
A. Capital Account Balance	0	0	-21	-47	-26
Credit	0	0	0	0	0
Debit	0	0	21	47	26
B. Financial Account Balance	38675	39967	21036	-6275	5205
Credit	67712	70977	92637	89327	91754
Debit	29037	31010	71601	95601	86549
1. Direct Investment Balance	33849	38066	41674	41118	36978
Credit	37736	42350	45439	45645	41015
Debit	3887	4284	3765	4527	4037
2. Portfolio Investment Balance	790	1744	6942	-3733	-11234
Credit	1803	3354	9230	1899	1808
Debit	1013	1610	2288	5632	13042
3. Other Investment Balance	4036	157	-27580	-43660	-20540
Credit	28173	25273	37968	41783	48931
Debit	24137	25116	65548	85443	69470
III. Reserves Assets	-22463	-31662	-35724	-6426	-8505
Credit	0	0	12	0	1252
Debit	22463	31662	35736	6426	9757
Incl. Balance of Foreign Exchange Reserves	-21959	-31450	-34862	-5069	-9716
IV. Net Errors and Omissions	-17830	-15547	-22254	-18724	-17788

(3)

Unit: million US dollars

Item \ Year	2000	2001	2002	2003	2004
I. Current Account Balance	20519	17405	35422	45875	68659
Credit	298973	317924	387535	519580	700697
Debit	278454	300519	352113	473706	632038
A. Goods and Services Balance	28873	28086	37383	36079	49284
Credit	279561	299410	365395	485003	655827
Debit	250688	271324	328013	448924	606543
a. Goods Balance	34474	34017	44167	44652	58982
Credit	249131	266075	325651	438270	593393
Debit	214657	232058	281484	393618	534410
b. Services Balance	-5600	-5931	-6784	-8573	-9699
Credit	30430	33335	39745	46734	62434
Debit	36031	39266	46528	55306	72133
B. Income Balance	-14666	-19173	-14945	-7838	-3523
Credit	12551	9390	8344	16095	20544
Debit	27216	28563	23289	23933	24067
C. Current Transfers Balance	6311	8492	12984	17634	22898
Credit	6861	9125	13795	18482	24326
Debit	550	632	811	848	1428
II. Capital and Financial Account Balance	1922	34775	32291	52726	110660
Credit	91986	99531	128321	219631	343350
Debit	90064	64756	96030	166905	232690
A. Capital Account Balance	-35	-54	-50	-48	-69
Credit	0	0	0	0	0
Debit	35	54	50	48	69
B. Financial Account Balance	1958	34829	32340	52774	110729
Credit	91986	99531	128321	219631	343350
Debit	90029	64702	95981	166857	232621
1. Direct Investment Balance	37483	37356	46790	47229	53131
Credit	42096	47052	53074	55507	60906
Debit	4613	9697	6284	8278	7774
2. Portfolio Investment Balance	-3991	-19406	-10342	11427	19690
Credit	7814	2404	2287	12307	20262
Debit	11805	21810	12629	880	572
3. Other Investment Balance	-31535	16879	-4107	-5882	37908
Credit	42076	50075	72961	151817	262182
Debit	73611	33196	77068	157699	224274
III. Reserves Assets	-10548	-47325	-75507	-137892	-190060
Credit	407	0	0	0	478
Debit	10955	47325	75507	137892	190538
Incl. Balance of Foreign Exchange Reserves	-10898	-46591	-74242	-137713	-190377
IV. Net Errors and Omissions	-11893	-4856	7794	39291	10741

(4)

Unit: million US dollars

Item \ Year	2005	2006	2007	2008	2009
I. Current Account Balance	134082	232746	353996	412364	261120
Credit	903582	1147901	1467882	1735893	1484573
Debit	769500	915155	1113886	1323529	1223453
A. Goods and Services Balance	124798	208912	307477	348870	220112
Credit	836888	1061682	1342206	1581713	1333346
Debit	712090	852769	1034729	1232843	1113234
a. Goods Balance	134189	217746	315381	360682	249509
Credit	762484	969682	1220000	1434601	1203797
Debit	628295	751936	904618	1073919	954287
b. Services Balance	-9391	-8834	-7905	-11812	-29398
Credit	74404	91999	122206	147112	129549
Debit	83795	100833	130111	158924	158947
B. Income Balance	-16101	-5365	7852	17694	7260
Credit	38959	54642	83030	101615	108582
Debit	55060	60007	75178	83920	101321
C. Current Transfers Balance	25385	29199	38668	45799	33748
Credit	27735	31578	42646	52565	42645
Debit	2349	2378	3978	6766	8897
II. Capital and Financial Account Balance	101045	52649	95148	46321	180850
Credit	457038	699264	943599	797233	782461
Debit	355992	646614	848451	750911	601611
A. Capital Account Balance	4102	4020	3099	3051	3958
Credit	4155	4102	3315	3320	4204
Debit	53	82	216	268	247
B. Financial Account Balance	96944	48629	92049	43270	176892
Credit	452883	695161	940285	793913	778257
Debit	355939	646532	848236	750643	601364
1. Direct Investment Balance	105903	102922	143057	121677	70316
Credit	124153	133273	173192	190411	150220
Debit	18250	30351	30135	68734	79904
2. Portfolio Investment Balance	-4933	-67558	18672	42660	38691
Credit	21997	45602	63969	67708	98112
Debit	26930	113159	45297	25048	59420
3. Other Investment Balance	-4026	13265	-69680	-121067	67885
Credit	306732	516287	703123	535794	529925
Debit	310758	503022	772803	656861	462040
III. Reserves Assets	-250649	-284776	-460704	-479539	-398422
Credit	1929	491	240	0	0
Debit	252578	285267	460944	479539	398422
Incl. Balance of Foreign Exchange Reserves	-252573	-285267	-460865	-478342	-382051
IV. Net Errors and Omissions	15521	-619	11560	20854	-43548

(5)

Unit: million US dollars

Item \ Year	2010	2011
I. Current Account Balance	237810	201714
Credit	1935528	2286837
Debit	1697717	2085122
A. Goods and Services Balance	223024	188321
Credit	1743583	2086660
Debit	1520559	1898339
a. Goods Balance	254180	243549
Credit	1581417	1903821
Debit	1327238	1660272
b. Services Balance	-31156	-55228
Credit	162165	182839
Debit	193321	238068
B. Income Balance	-25899	-11868
Credit	142424	144606
Debit	168324	156474
C. Current Transfers Balance	40686	25261
Credit	49521	55570
Debit	8835	30309
II. Capital and Financial Account Balance	286865	221056
Credit	1166652	1398241
Debit	879787	1177185
A. Capital Account Balance	4630	5446
Credit	4815	5621
Debit	185	174
B. Financial Account Balance	282234	215610
Credit	1161836	1392621
Debit	879602	1177011
1. Direct Investment Balance	185750	170449
Credit	272987	271663
Debit	87237	101214
2. Portfolio Investment Balance	24038	19639
Credit	63585	51947
Debit	39546	32308
3. Other Investment Balance	72446	25522
Credit	825265	1069011
Debit	752819	1043489
III. Reserves Assets	-471739	-387801
Credit	0	1016
Debit	471739	388818
Incl. Balance of Foreign Exchange Reserves	-469556	-384818
IV. Net Errors and Omissions	-52936	-34969

Note: 1. This statement employs rounded-off numbers.

2. According to international convention, since 2009, the SAFE has made adjustments to its methods for recording reserves assets, i.e., only changes in reserves assets due to transactions are recorded on the balance of payments statement. This is exclusive of changes in the value of the reserves assets due to non-transaction factors such as exchange rates and prices. Based on these adjustments, the SAFE made retroactive adjustments to the historical data from 2003 to 2008.

3. Data under the current account, capital account, and financial items on the balance of payments statements for certain years may differ from the data released in earlier years due to updates and improvements in the data sources.

Table S3 China's International Investment Position, 2004–2011

Unit: 100 million US dollars

Items	End of 2004	End of 2005	End of 2006	End of 2007
Net Position	2764	4077	6402	11881
A. Assets	9291	12233	16905	24162
1. Direct Investments Abroad	527	645	906	1160
2. Portfolio Investment	920	1167	2652	2846
2.1 Equity Securities	0	0	15	196
2.2 Debt Securities	920	1167	2637	2650
3. Other Investment	1658	2164	2539	4683
3.1 Trade Credits	432	661	922	1160
3.2 Loans	590	719	670	888
3.3 Currency and Deposits	553	675	736	1380
3.4 Other Assets	83	109	210	1255
4. Reserves Assets	6186	8257	10808	15473
4.1 Monetary Gold	41	42	123	170
4.2 Special Drawing Rights	12	12	11	12
4.3 Reserves Position in the Fund	33	14	11	8
4.4 Foreign Exchange	6099	8189	10663	15282
B. Liabilities	6527	8156	10503	12281
1. Foreign Direct Investments	3690	4715	6144	7037
2. Portfolio Investment	566	766	1207	1466
2.1 Equity Securities	433	636	1065	1290
2.2 Debt Securities	133	130	142	176
3. Other Investment	2271	2675	3152	3778
3.1 Trade Credits	809	1063	1196	1487
3.2 Loans	880	870	985	1033
3.3 Currency and Deposits	381	484	595	791
3.4 Other Liabilities	200	257	377	467



Table S3 (concluded)

Items	End of 2008	End of 2009	End of 2010	End of 2011
Net Position	14938	14905	16880	17747
A. Assets	29567	34369	41189	47182
1. Direct Investments Abroad	1857	2458	3172	3642
2. Portfolio Investment	2525	2428	2571	2600
2.1 Equity Securities	214	546	630	619
2.2 Debt Securities	2311	1882	1941	1981
3. Other Investment	5523	4952	6304	8382
3.1 Trade Credits	1102	1444	2060	2769
3.2 Loans	1071	974	1174	2232
3.3 Currency and Deposits	1529	1310	2051	2829
3.4 Other Assets	1821	1224	1018	552
4. Reserves Assets	19662	24532	29142	32558
4.1 Monetary Gold	169	371	481	530
4.2 Special Drawing Rights	12	125	123	119
4.3 Reserves Position in the Fund	20	44	64	98
4.4 Foreign Exchange	19460	23992	28473	31811
B. Liabilities	14629	19464	24308	29434
1. Foreign Direct Investments	9155	13148	15696	18042
2. Portfolio Investment	1677	1900	2239	2485
2.1 Equity Securities	1505	1748	2061	2114
2.2 Debt Securities	172	152	178	371
3. Other Investment	3796	4416	6373	8907
3.1 Trade Credits	1296	1617	2112	2492
3.2 Loans	1030	1636	2389	3724
3.3 Currency and Deposits	918	937	1650	2477
3.4 Other Liabilities	552	227	222	214

Note: 1. This statement employs rounded-off numbers.

2. Net position refers to assets minus liabilities, "+" means net assets, and "-" means net liabilities.

3. The SAFE has revised the data at year-end 2009 and 2010 according to the latest data.

Table S4 Brief Table of China's External Debt, End—2011

Unit: thousand US dollars

Debt	Type of Debtor	Loans from Foreign Governments	Loans from International Financial Institutions	Loans from Foreign Banks and Other Financial Institutions	Buyers' Credit	Loans from Foreign Exporters, Enterprises, and Individuals	Bonds Issued Abroad
Ministries under the State Council			34197809	511991			2661349
Chinese-funded Financial Institutions		33299148		5025667	2768664	8499	5106565
Foreign-funded Financial Institutions				38385540		1157426	
Foreign-funded Enterprises			792120	25827320	292524	103237126	
Chinese-funded Enterprises			10050	762303	88829	440666	1496155
Other				33299		97969	
Trade Credit between Enterprises							
Total		33299148	34999979	70546120	3150017	104941686	9264069



Table S4 (concluded)

Debt	Type of Debtor	Bank Trade Financing	Non-resident Deposits	International Financial Leasing	Liabilities to be Paid with Foreign Exchange in Compensation Trade	Trade Credit between Enterprises	Other	Total
Ministries under the State Council								37371149
Chinese-funded Financial Institutions		119926910	45810572	6937				211952962
Foreign-funded Financial Institutions		2537705	11926012				47041	54053724
Foreign-funded Enterprises				6208036	2616			136359742
Chinese-funded Enterprises				1654296	1448009		24951	5925259
Other							3210	134478
Trade Credit between Enterprises						249200000		249200000
Total		122464615	57736584	7869269	1450625	249200000	75202	694997314

Note: Loans from foreign governments assumed by Chinese-funded financial institutions (mainly referring to state-owned commercial banks and policy banks) are actually sovereign debt borrowed by the Ministry of Finance on behalf of the Chinese government.

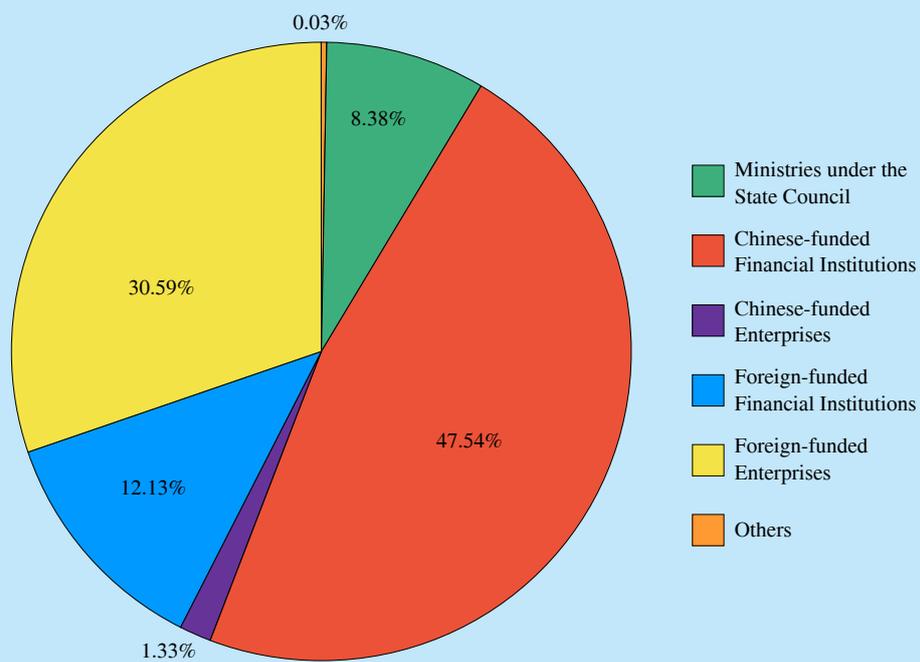


Figure S1 Components of the Registered External Debt by Type of Debtor, End-2011

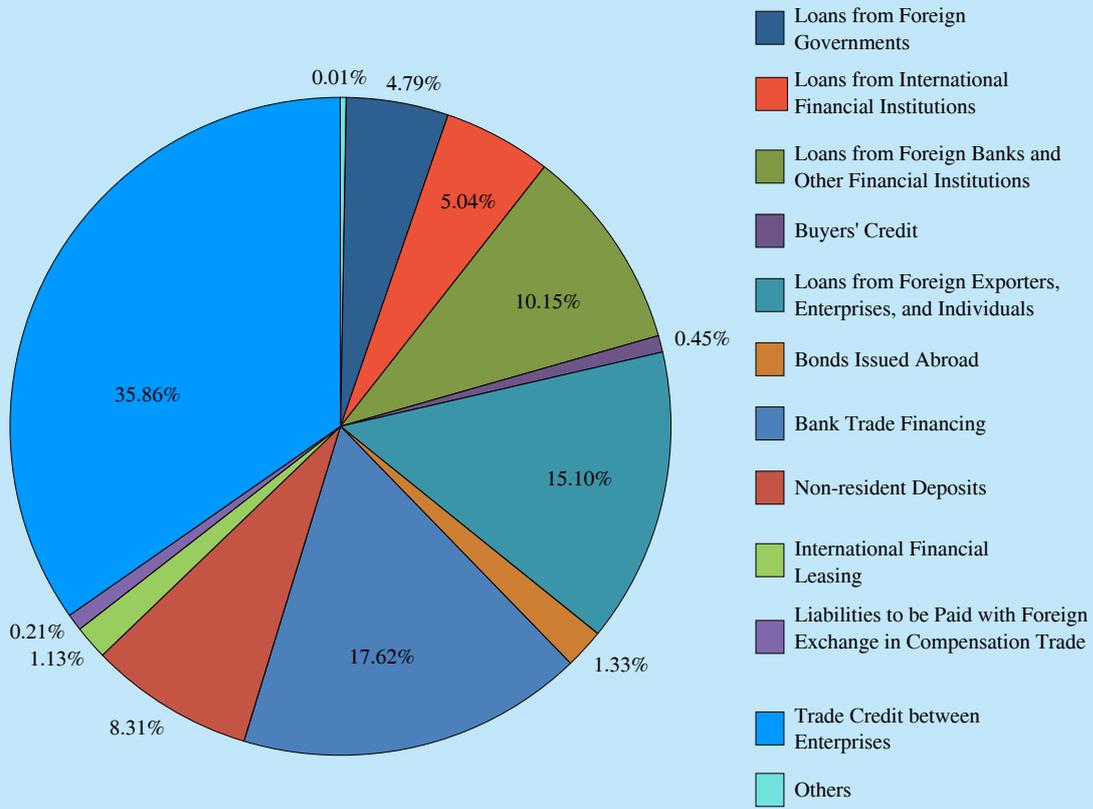


Figure S2 Components of Registered External Debt by Type of Debt, End-2011

Table S5 Structure and Growth of Long-term and Short-term External Debt, 1990–2011

Item	Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	Outstanding External Debt (in billion USD)		52.55	60.56	69.32	83.57	92.81	106.59	116.28	130.96	146.04	151.83
Long-term and Medium-term External Debt	Outstanding (in billion USD)	45.78	50.26	58.47	70.02	82.39	94.68	102.17	112.82	128.7	136.65	132.65
	Increase over the Previous Year (%)	23.6	9.8	16.3	19.8	17.7	14.9	7.9	10.4	14.1	6.2	-2.9
	Share of the Total (%)	87.1	83	84.3	83.8	88.8	88.8	87.9	86.1	88.1	90	91
Short-term External Debt	Outstanding (in billion USD)	6.77	10.3	10.85	13.55	10.42	11.91	14.11	18.14	17.34	15.18	13.08
	Increase over the Previous Year (%)	58.5	52.1	5.3	24.9	-23.1	14.3	18.5	28.6	-4.4	-12.5	-13.8
	Share of the Total (%)	12.9	17	15.7	16.2	11.2	11.2	12.1	13.9	11.9	10	9
	Ratio to Foreign Exchange Reserves (%)	61	47.5	55.9	63.9	20.2	16.2	13.4	13	12	9.8	7.9





Table S5 (concluded)

Item \ Year		Year										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Outstanding External Debt (in billion USD)		203.3	202.63	219.36	262.99	296.55	338.59	389.22	390.16	428.65	548.94	695.00
Long-term and Medium-term External Debt	Outstanding (in billion USD)	119.53	115.55	116.59	124.29	124.9	139.36	153.53	163.88	169.39	173.24	194.10
	Increase over the Previous Year (%)	—	-3.3	0.9	6.6	0.5	11.6	10.2	6.7	3.4	2.3	12.0
	Share of the Total (%)	58.8	57	53.2	47.3	42.1	41.2	39.4	42	39.5	31.6	27.9
Short-term External Debt	Outstanding (in billion USD)	83.77	87.08	102.77	138.71	171.64	199.23	235.68	226.28	259.26	375.7	500.90
	Increase over the Previous Year (%)	—	4	18	35	23.7	16.1	18.3	-4.2	14.6	44.9	33.3
	Share of the Total (%)	41.2	43	46.8	52.7	57.9	58.8	60.6	58	60.5	68.4	72.1
	Ratio to Foreign Exchange Reserves (%)	39.5	30.4	25.5	22.7	21	18.7	15.4	11.6	10.8	13.2	15.7

Notes: 1. Because China's external debt statistics were adjusted in 2001, the new coverage is not comparable to the original coverage; the item "Increase over the Previous Year" was not calculated for 2001.

2. Adjustments were made to the sampling survey method for trade credit in 2009. According to the new method, the balance of trade credit at year-end 2009 was USD161.7 billion. To ensure comparability of the relevant data, adjustments were made accordingly to the balance of trade credit for the period between 2001 and the end of 2008.

Table S6 External Debt, the National Economy, and Foreign Exchange Income, 1990–2011

Item \ Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Outstanding External Debt (in billion USD)	52.55	60.56	69.32	83.57	92.81	106.59	116.28	130.96	146.04	151.83	145.73
Increase over the Previous Year (%)	27.2	15.2	14.5	20.6	11.1	14.8	9.1	12.6	11.5	4	-4
GDP (in billion RMB)	1854.8	2161.8	2663.8	3533.4	4819.8	6079.4	7117.7	7897.3	8440.2	8967.7	9921.5
Increase over the Previous Year (%)	3.8	9.2	14.2	14	13.1	10.9	10	9.3	7.8	7.6	8.4
Ratio of the Outstanding External Debt to GDP (%)	13.6	14.9	14.4	13.6	16.6	14.6	13.6	13.7	14.3	14	12.2
Foreign Exchange Income (in billion USD)	57.4	65.9	78.8	86.6	118.9	147.2	171.7	207.2	207.4	221	279.6
Increase over the Previous Year (%)	20	14.9	19.6	9.8	37.4	23.8	16.6	20.7	0.1	6.5	26.5
Ratio of the Outstanding External Debt to Foreign Exchange Income (%)	91.6	91.9	87.9	96.5	78	72.4	67.7	63.2	70.4	68.7	52.1





Table S6 (concluded)

Item \ Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Outstanding External Debt (in billion USD)	203.3	202.63	219.36	262.99	296.55	338.59	389.22	390.2	428.65	548.94	695.00
Increase over the Previous Year (%)	—	-0.3	8.3	19.9	12.8	14.2	15	0.2	9.9	28.1	26.6
GDP (in billion RMB)	10966	12033	13582	15988	18387	21192	25731	31405	34090	40151	47156
Increase over the Previous Year (%)	8.3	9.1	10	10.1	10.4	11.6	13	9.6	9.2	10.4	9.2
Ratio of the Outstanding External Debt to GDP (%)	15.3	13.9	13.4	13.6	13.2	12.7	11.5	8.6	8.6	9.3	9.5
Foreign Exchange Income (in billion USD)	299.4	365.4	485	655	836.8	1061.7	1342.1	1582	1332.9	1876.8	2086.6
Increase over the Previous Year (%)	7.1	22	32.7	35.1	27.8	26.9	26.4	17.9	-15.7	40.8	11.2
Ratio of the Outstanding External Debt to Foreign Exchange Income (%)	67.9	55.5	45.2	40.2	35.4	31.9	29	24.7	32.2	29.3	33.3

Notes: 1. The GNP data in the previous issues of the SAFE Annual Report have been adjusted to GDP data, in accordance with the *China Statistical Abstract 1998*. The central parity of the RMB against the USD is used when calculating the ratio of the outstanding external debt to GDP.

2. Line 4 "Increase over the Previous Year (%)" is calculated on a fixed price basis.

3. From 1998, foreign exchange income in this report refers to credits under the items of goods and services in the BOP during the corresponding year. The data for the previous years have been adjusted according to the same international standards, as have been the ratios of the outstanding external debt to foreign exchange income.

4. Because the external debt statistics were revised in 2001 and the new coverage is not comparable to the original coverage, the item "Increase over the Previous Year" is not calculated for 2001.

5. GDP data for 1993-2004 were revised by the National Bureau of Statistics according to the results of the First National Economic Census.

6. Adjustments have been made to the sampling survey method for trade credit in 2009. According to the new method, the balance of trade credit at year-end 2009 was USD161.7 billion. To ensure comparability of the relevant data, adjustments were made accordingly to the balance of trade credit for the period between 2001 and the end of 2008.

Table S7 External Debt Flows, the National Economy, and Foreign Exchange Income, 1990–2011

Item \ Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
External Debt Inflows (in billion USD)	16.48	18.86	15.22	27.37	34.33	39.11	30.95	43.1	45.66	30.05	24.92
Increase over the Previous Year (%)	-5.5	14.4	-19.3	79.8	25.4	13.9	-20.9	39.3	5.9	-34.2	-17.1
External Debt Outflows (in billion USD)	9.62	12.79	13.43	18.25	25.06	31.71	22.47	32.42	42.48	36.45	35.01
Increase over the Previous Year (%)	-43.5	33	5	35.9	37.3	26.5	-29.1	44.3	31	-14.2	-4
Net External Debt Inflows (in billion USD)	6.86	6.07	1.79	9.12	9.27	7.4	8.48	10.68	3.18	-6.4	-10.09
GDP (in billion RMB)	1855	2161.8	2663.8	3533.4	4819.8	6079.4	7117.7	7897.3	8440.2	8967.7	9921.5
Ratio of External Debt Outflows to GDP (%)	2.5	3.1	2.8	3	4.5	4.4	2.6	3.4	4.2	3.4	2.9
Foreign Exchange Income (in billion USD)	57.4	65.9	78.8	86.6	118.9	147.2	171.7	207.2	207.4	221	279.6
Debt Service Ratio (%)	8.7	8.5	7.1	10.2	9.1	7.6	6	7.3	10.9	11.2	9.2





Table S7 (concluded)

Item \ Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
External Debt Inflows (in billion USD)	25.16	60.87	101.54	205.97	281.05	385.43	500.2	575.9	387.52	679.25	773.31
Increase over the Previous Year (%)	1	141.9	66.8	102.8	36.5	37.1	29.8	15.1	-32.71	75.28	13.85
External Debt Outflows (in billion USD)	31.28	69.67	98.13	190.24	271.59	365.15	479.81	557.16	390.85	611.93	682.51
Increase over the Previous Year (%)	-10.7	122.7	40.8	93.9	42.8	34.4	31.4	16.1	-29.8	56.6	11.5
Net External Debt Inflows (in billion USD)	-6.12	-8.8	3.41	15.73	9.46	20.28	20.39	18.74	-3.33	67.32	90.80
GDP (in billion RMB)	10966	12033	13582	15988	18387	21192	25731	31405	34090	40151	47156
Ratio of External Debt Outflows to GDP (%)	2.4	4.8	6	9.8	12.1	13.7	14.2	12.3	7.8	10.3	9.3
Foreign Exchange Income (in billion USD)	299.4	365.4	485	655	836.8	1061.7	1342.2	1581.7	1332.9	1876.8	2086.6
Debt Service Ratio (%)	7.5	7.9	6.9	3.2	3.1	2.1	2	1.8	2.9	1.6	1.7

Notes: 1. GNP data in previous issues of the SAFE Annual Report have been adjusted to GDP data in accordance with the *China Statistical Abstract 1998*. The central parity of the RMB against the USD is used when calculating the ratio of external debt outflows to GDP.

2. From 1998, foreign exchange income in this report refers to credits under the item of goods and services in the BOP during the corresponding year. The data for the previous years have been adjusted according to the same international standards, as have the debt service ratios.

3. External debt outflows include both repayment of the principal and payment of the interest.

4. The debt service ratio is the repayment of the principal and the payment of interest on long-term and medium-term external debts, plus the payment of interest on short-term external debt divided by the foreign exchange income in the BOP for the corresponding year.

5. GDP data for 1993-2004 were revised by the National Bureau of Statistics according to the results of the First National Economic Census.

Table S8 Monthly and Annual Average Exchange Rates of the RMB against the US Dollar from January 1990 to December 2011
(1)

Unit: RMB per 100 US dollars

Year \ Month	Jan.	Feb.	Mar.	Apr.	May	Jun.
1990	472.21	472.21	472.21	472.21	472.21	472.21
1991	522.21	522.21	522.21	526.59	531.39	535.35
1992	544.81	546.35	547.34	549.65	550.36	547.51
1993	576.40	576.99	573.13	570.63	572.17	573.74
1994	870.00	870.28	870.23	869.55	866.49	865.72
1995	844.13	843.54	842.76	842.25	831.28	830.08
1996	831.86	831.32	832.89	833.15	832.88	832.26
1997	829.63	829.29	829.57	829.57	829.29	829.21
1998	827.91	827.91	827.92	827.92	827.90	827.97
1999	827.90	827.80	827.91	827.92	827.85	827.80
2000	827.93	827.79	827.86	827.93	827.77	827.72
2001	827.71	827.70	827.76	827.71	827.72	827.71
2002	827.67	827.66	827.70	827.72	827.69	827.70
2003	827.68	827.73	827.72	827.71	827.69	827.71
2004	827.69	827.71	827.71	827.69	827.71	827.67
2005	827.65	827.65	827.65	827.65	827.65	827.65
2006	806.68	804.93	803.50	801.56	801.52	800.67
2007	778.98	775.46	773.90	772.47	767.04	763.30
2008	724.78	721.09	716.26	712.01	709.06	705.83
2009	683.82	683.57	683.41	683.12	682.45	683.32
2010	682.73	682.70	682.64	682.62	682.74	681.65
2011	660.27	658.31	656.62	652.92	649.88	647.78

(2)

Unit: RMB per 100 US dollars

Year \ Month	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Annual Average
1990	472.21	472.21	472.21	472.21	495.54	522.21	478.32
1991	535.55	537.35	537.35	537.90	538.58	541.31	532.33
1992	544.32	542.87	549.48	553.69	561.31	579.82	551.46
1993	576.12	577.64	578.70	578.68	579.47	580.68	576.20
1994	864.03	858.98	854.03	852.93	851.69	848.45	861.87
1995	830.07	830.75	831.88	831.55	831.35	831.56	835.10
1996	831.60	830.81	830.44	830.00	829.93	829.90	831.42
1997	829.11	828.94	828.72	828.38	828.11	827.96	828.98
1998	827.98	827.99	827.89	827.78	827.78	827.79	827.91
1999	827.77	827.73	827.74	827.74	827.82	827.93	827.83
2000	827.93	827.96	827.86	827.85	827.74	827.72	827.84
2001	827.69	827.70	827.68	827.68	827.69	827.68	827.70
2002	827.68	827.67	827.70	827.69	827.71	827.72	827.70
2003	827.73	827.70	827.71	827.67	827.69	827.70	827.70
2004	827.67	827.68	827.67	827.65	827.65	827.65	827.68
2005	822.90	810.19	809.22	808.89	808.40	807.59	819.17
2006	799.10	797.33	793.68	790.32	786.52	782.38	797.18
2007	758.05	757.53	752.58	750.12	742.33	736.76	760.40
2008	702.28	700.09	698.32	696.83	695.57	694.51	694.51
2009	683.20	683.22	682.89	682.75	682.74	682.79	683.10
2010	677.75	679.01	674.62	667.32	665.58	665.15	676.95
2011	646.14	640.90	638.33	635.66	634.08	632.81	645.88

Table S9 Reference Exchange Rates of the RMB, 2011

For MYR and RUB: foreign currency units/RMB100

For the seven other currencies: RMB/100 foreign currency units

Month	Items Currency	Beginning of the Period	End of the Period	Highest	Lowest	Period Average	Cumulative Average
Jan.	USD	662.15	658.91	663.49	658.76	660.27	660.27
	EUR	883.01	895.52	905.05	855.67	881.27	881.27
	JPY	8.0977	8.0223	8.0977	7.9390	7.9868	7.9868
	HKD	85.213	84.560	85.353	84.506	84.872	84.872
	GBP	1025.27	1043.71	1053.20	1025.27	1041.22	1041.22
	MYR	46.326	46.427	47.558	46.242	46.418	46.418
	RUB	461.34	452.35	463.33	449.32	456.64	456.64
Feb.	USD	658.60	657.52	659.85	657.05	658.31	659.43
	EUR	903.50	902.05	907.94	889.54	898.38	888.60
	JPY	8.0214	8.0460	8.0460	7.8661	7.9494	7.9707
	HKD	84.482	84.363	84.666	84.363	84.501	84.713
	GBP	1057.55	1057.49	1068.45	1057.49	1061.41	1049.87
	MYR	46.343	46.472	46.495	46.048	46.286	46.361
	RUB	451.45	440.18	451.45	440.18	444.15	451.29
Mar.	USD	657.06	655.64	657.50	655.64	656.62	658.32
	EUR	908.19	926.81	932.98	905.35	919.21	900.74
	JPY	8.0222	7.8883	8.2743	7.8883	8.0326	7.9953
	HKD	84.366	84.225	84.405	84.123	84.260	84.533
	GBP	1070.19	1055.35	1073.13	1049.57	1061.56	1054.51
	MYR	46.371	46.164	46.642	46.137	46.255	46.319
	RUB	438.96	434.90	438.96	429.00	433.04	444.05
Apr.	USD	655.27	649.90	655.27	649.90	652.92	656.99
	EUR	928.29	963.48	964.45	928.29	944.44	911.52
	JPY	7.8532	7.9718	7.9809	7.6619	7.8460	7.9584
	HKD	84.237	83.639	84.267	83.639	83.996	84.401
	GBP	1050.27	1081.30	1085.18	1050.27	1069.44	1058.19
	MYR	46.196	45.655	46.369	45.538	46.118	46.270
	RUB	434.08	423.11	435.40	423.11	429.84	440.54
May	USD	650.02	648.45	651.08	648.45	649.88	655.47
	EUR	961.64	932.15	964.13	913.07	931.00	915.70
	JPY	8.0175	8.0214	8.0919	7.9076	8.0084	7.9691
	HKD	83.677	83.368	83.738	83.353	83.590	84.227
	GBP	1080.04	1071.30	1080.04	1046.95	1061.44	1058.89
	MYR	45.722	46.396	47.038	45.722	46.383	46.294
	RUB	421.42	428.09	438.14	420.71	429.90	438.26



Table S9 (continued)

Month	Items Currency	Beginning of the Period	End of the Period	Highest	Lowest	Period Average	Cumulative Average
Jun.	USD	648.37	647.16	648.92	646.83	647.78	654.11
	EUR	934.50	936.12	950.58	913.56	931.61	918.50
	JPY	7.9662	8.0243	8.1048	7.9662	8.0423	7.9820
	HKD	83.370	83.162	83.398	82.942	83.201	84.046
	GBP	1067.38	1039.86	1067.38	1031.08	1050.83	1057.47
	MYR	46.422	46.776	47.180	46.361	46.764	46.377
	RUB	431.35	432.88	437.26	427.78	432.17	437.19
Jul.	USD	646.85	644.42	647.48	644.26	646.14	652.91
	EUR	936.44	922.33	941.14	906.65	923.85	919.31
	JPY	8.0056	8.2846	8.2846	7.9603	8.1321	8.0046
	HKD	83.105	82.696	83.170	82.694	82.960	83.883
	GBP	1036.25	1053.82	1058.84	1029.72	1042.58	1055.23
	MYR	46.638	45.791	46.757	45.709	46.343	46.372
	RUB	431.75	423.56	438.38	423.56	432.14	436.43
Aug.	USD	643.99	638.67	644.51	638.49	640.90	651.22
	EUR	925.99	921.22	926.70	907.20	918.76	919.23
	JPY	8.2685	8.3296	8.3493	8.1568	8.3075	8.0473
	HKD	82.642	81.923	82.681	81.923	82.194	83.645
	GBP	1059.69	1041.77	1059.69	1033.13	1048.72	1054.31
	MYR	45.880	46.672	47.306	45.770	46.571	46.400
	RUB	429.41	452.72	463.70	429.41	448.73	438.17
Sept.	USD	638.59	635.49	639.82	635.49	638.33	649.75
	EUR	917.33	863.28	917.33	856.34	880.10	914.76
	JPY	8.3031	8.2978	8.3730	8.2411	8.3100	8.0773
	HKD	81.995	81.539	82.069	81.539	81.889	83.444
	GBP	1036.97	992.70	1036.97	984.51	1007.88	1049.01
	MYR	46.617	49.934	49.988	46.493	48.207	46.606
	RUB	452.42	500.85	507.69	452.42	479.52	442.89
Oct.	USD	635.86	632.33	637.62	632.33	635.66	648.62
	EUR	853.45	894.65	897.26	853.45	878.09	911.83
	JPY	8.2778	8.3520	8.3520	8.2430	8.2999	8.0951
	HKD	81.708	81.441	81.983	81.441	81.739	83.308
	GBP	990.07	1018.87	1018.87	989.39	1006.09	1045.58
	MYR	49.546	48.362	49.641	48.362	49.101	46.806
	RUB	506.17	469.02	506.17	469.02	486.68	446.39

Table S9 (concluded)

Month	Items Currency	Beginning of the Period	End of the Period	Highest	Lowest	Period Average	Cumulative Average
Nov.	USD	632.93	634.82	635.87	631.65	634.08	647.18
	EUR	876.83	846.25	876.83	845.24	860.18	906.71
	JPY	8.0695	8.1314	8.2598	8.0695	8.1736	8.1029
	HKD	81.478	81.500	81.639	81.312	81.482	83.127
	GBP	1017.40	990.86	1017.57	982.80	1002.39	1041.30
	MYR	48.665	49.834	50.610	48.665	49.754	47.098
	RUB	477.79	491.93	495.35	477.79	485.99	450.31
	AUD	624.91	637.52	637.52	624.91	630.33	630.33
Dec.	CAD	610.48	615.28	615.28	610.48	613.32	613.32
	USD	633.53	630.09	634.21	630.09	632.81	645.88
	EUR	851.46	816.25	853.64	814.98	833.47	900.11
	JPY	8.1609	8.1103	8.1609	8.0804	8.1261	8.1050
	HKD	81.500	81.070	81.537	81.070	81.364	82.968
	GBP	994.64	971.16	994.64	971.16	986.83	1036.39
	MYR	49.537	50.279	50.410	49.366	49.904	47.351
	RUB	483.98	508.60	508.60	483.98	496.86	454.51
Entire year	AUD	647.63	640.93	650.49	628.15	640.38	639.17
	CAD	622.14	617.77	627.68	608.83	618.22	617.63
	USD	662.15	630.09	663.49	630.09	645.88	645.88
	EUR	883.01	816.25	964.45	814.98	900.11	900.11
	JPY	8.0977	8.1103	8.3730	7.6619	8.1050	8.1050
	HKD	85.213	81.070	85.353	81.070	82.968	82.968
	GBP	1025.27	971.16	1085.18	971.16	1036.39	1036.39
	MYR	46.326	50.279	50.610	45.538	47.351	47.351
RUB	461.34	508.60	508.60	420.71	454.51	454.51	
AUD	624.91	640.93	650.49	624.91	639.17	639.17	
CAD	610.48	617.77	627.68	608.83	617.63	617.63	

Table S10 Conversion Rates of the Major Currencies against the US Dollar, 2011

Period	Currency		AUD	CAD	CHF	DKK	EUR	GBP	HKD	JPY	MOP	NOK	SEK
	Unit		1AUD	1CAD	1CHF	1DKK	1EUR	1GBP	1HKD	1JPY	1MOP	1NOK	1SEK
Jan.			1.00370	0.99256	1.04134	0.17635	1.31360	1.54600	0.12854	0.012061	0.12492	0.16800	0.14645
Feb.			0.98900	1.00604	1.04091	0.18232	1.35850	1.59650	0.12829	0.012082	0.12477	0.17171	0.15141
Mar.			1.00510	1.01523	1.05407	0.18250	1.35990	1.61770	0.12840	0.012032	0.12483	0.17512	0.15469
Apr.			1.01240	1.01874	1.10096	0.18895	1.40860	1.62450	0.12830	0.012340	0.12469	0.17890	0.15786
May			1.07370	1.05119	1.12994	0.19540	1.45680	1.65100	0.12869	0.012164	0.12508	0.18682	0.16444
Jun.			1.05670	1.02480	1.13456	0.18910	1.40960	1.61380	0.12859	0.012207	0.12497	0.17969	0.15825
Jul.			1.05390	1.02229	1.19275	0.19127	1.42610	1.60190	0.12840	0.012425	0.12477	0.18335	0.15534
Aug.			1.08080	1.05152	1.23609	0.19276	1.43610	1.63060	0.12835	0.012763	0.12472	0.18463	0.15776
Sept.			1.04910	1.01122	1.25992	0.19349	1.44130	1.64870	0.12827	0.013021	0.12461	0.18407	0.15788
Oct.			0.96670	0.96460	1.09529	0.18004	1.33940	1.54470	0.12821	0.013110	0.12461	0.16993	0.14362
Nov.			1.04640	0.99701	1.13649	0.18691	1.39110	1.59860	0.12863	0.013132	0.12494	0.18111	0.15269
Dec.			0.96920	0.95438	1.08542	0.17921	1.33190	1.54670	0.12830	0.012933	0.12469	0.16983	0.14394



Table S11 Foreign Exchange Reserves

Unit: 100 million US dollars

Year	Foreign Exchange Reserves	Increase
1990	111	55
1991	217	106
1992	194	-23
1993	212	18
1994	516	304
1995	736	220
1996	1050	315
1997	1399	348
1998	1450	51
1999	1547	97
2000	1656	109
2001	2122	466
2002	2864	742
2003	4033	1168
2004	6099	2067
2005	8189	2090
2006	10663	2475
2007	15282	4619
2008	19460	4178
2009	23992	4531
2010	28473	4482
2011	31811	3338

Table S12 Monthly Foreign Exchange Reserves, 2011

Unit: 100 million US dollars

Month	Forex Reserves	Month	Forex Reserves
Jan.	29317	Jul.	32453
Feb.	29914	Aug.	32625
Mar.	30447	Sept.	32017
Apr.	31458	Oct.	32738
May	31660	Nov.	32209
Jun.	31975	Dec.	31811



Table S13 Qualified Foreign Institutional Investors (QFIIs) with Investment Quotas Granted by the SAFE

As of December 31, 2011

No.	Qualified Foreign Institutional Investor	Investment Quota (Unit: million US dollars)
1	UBS	790
2	Nomura Securities Co., Ltd.	350
3	Morgan Stanley & Co. International Limited	400
4	Citigroup Global Markets Limited	550
5	Goldman, Sachs & Co.	300
6	Deutsche Bank Aktiengesellschaft	400
7	Hong Kong and Shanghai Banking Corporation Limited	400
8	ING Bank N. V.	400
9	JPMorgan Chase Bank, National Association	150
10	Credit Suisse (Hong Kong) Limited	500
11	Standard Chartered Bank (Hong Kong) Limited	75
12	Nikko Asset Management Co., Ltd.	450
13	Merrill Lynch International	300
14	Hangseng Bank	100
15	Daiwa Securities Capital Markets Co., Ltd.	50
16	Lehman Brothers International (Europe)	200
17	Bill & Melinda Gates Foundation	300
18	INVESCO Asset Management Limited	350
19	Royal Bank of Scotland	175
20	Société Générale	50
21	Barclays Bank PLC	400
22	Commerzbank AG	75
23	Fortis Bank SA/NV	500
24	BNP Paribas	200
25	Power Corporation of Canada	50
26	Calyon S.A.	75
27	Goldman Sachs Asset Management International	500
28	Martin Currie Investment Management Ltd.	120
29	Government of Singapore Investment Corporation Pte Ltd.	300



Table S13 (continued)

No.	Qualified Foreign Institutional Investor	Investment Quota (Unit: million US dollars)
30	PineBridge Investment LLC	150
31	Temasek Fullerton Alpha Investments Pte Ltd.	300
32	JF Asset Management Limited	375
33	The Dai-ichi Life Insurance Company, Limited	200
34	DBS Bank Ltd.	100
35	AMP Capital Investor Limited	300
36	Bank of Nova Scotia	150
37	KBC Financial Products UK Limited	20
38	La Compagnie Financiere Edmond de Rothschild Banque	100
39	Yale University	150
40	Morgan Stanley Investment Management Inc.	450
41	Prudential Asset Management (Hong Kong) Limited	300
42	Stanford University	100
43	GE Asset Management Incorporated	350
44	United Overseas Bank Limited	50
45	Schroder Investment Mangement Limited	300
46	HSBC Global Asset Management (Hong Kong) Limited	350
47	Mizuho Securities Co.,Ltd.	50
48	UBS Global Asset Management (Singapore) Ltd.	250
49	Sumitomo Mitsui Asset Management Company, Limited	350
50	Norges Bank	700
51	Pictet Asset Management Limited	100
52	Columbia University	100
53	Prudential Asset Management Co., Ltd.	75
54	Robeco Institutional Asset Management B.V.	150
55	State Street Global Advisors Asia Limited	50
56	Platinum Investment Company Limited	150
57	KBC Asset Management N.V.	210
58	Mirae Asset Investment Management Co., Ltd.	250

Table S13 (continued)

No.	Qualified Foreign Institutional Investor	Investment Quota (Unit: million US dollars)
59	ACE INA International Holdings, Ltd.	150
60	Caisse de dépôt et placement du Québec	200
61	Harvard College	200
62	Samsung Asset Management Co.,Ltd.	300
63	AllianceBernstein Ltd.	150
64	Overseas-Chinese Banking Corporation Limited	150
65	First State Investment Management (UK) Limited	120
66	Daiwa Asset Management Co. Ltd.	200
67	T. Rowe Price International, Inc.	110
68	Credit Suisse AG	200
69	UOB Asset Management Ltd.	50
70	ABU Dhabi Investment Authority	200
71	Allianz Global Investors Luxembourg S.A.	100
72	Capital International, Inc.	100
73	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	100
74	Hanwha Investment Trust Management Co., Ltd.	70
75	Ashmore EMM, L.L.C.	50
76	DWS Investment S.A.	200
77	Korea Development Bank	100
78	Woori Bank Co., Ltd.	50
79	Bank Negara Malaysia	200
80	Lloyd George Management (Hong Kong) Limited	50
81	Templeton Investment Counsel, LLC	200
82	BEA Union Investment Management Ltd.	100
83	Sumitomo Trust & Banking Co., Ltd.	50
84	Korea Investment Trust Management Co., Ltd.	100
85	Baring Asset Management Limited	200
86	Ashmore Investment Management Limited	200
87	BNY Mellon Asset Management International Limited	150



Table S13 (concluded)

No.	Qualified Foreign Institutional Investor	Investment Quota (Unit: million US dollars)
88	Manulife Asset Management (Hong Kong) Limited	200
89	Nomura Asset Management Co., Ltd.	200
90	Tongyang Asset Management Corp.	100
91	Royal Bank of Canada	100
92	Aviva Investors Global Services Limited	100
93	Ivy Investment management Company	100
94	DIAM Co., Ltd.	100
95	OFI Asset Management	150
96	Aberdeen Asset Management Asia Limited	200
97	KB Asset Management Co., Ltd.	100
98	FIL Investment Management (Hong Kong) Limited	150
99	Legg Mason Investments (Europe) Limited	100
100	Hong Kong Monetary Authority	300
101	Fubon Securities Investment Trust Co., Ltd.	100
102	Capital Investment Trust Corp.	100
103	Bank Julius Bear & Co., Ltd.	100
104	KTB Asset Management Co., Ltd.	100
105	Lyxor Asset Management	100
106	Polaris International Securities Investment Trust Co., Ltd.	100
107	Assicurazioni Generali S.P.A.	100
108	Banco Bilbao Vizcaya Argentaria, S.A.	100
109	Cathay Securities Investment Trust Co., Ltd.	100
110	Fuh Hwa Securities Investment Trust Co., Ltd.	100

Table S14 Qualified Domestic Institutional Investors (QDIIs), including Banking, Insurance, and Securities Institutions, with Investment Quotas Granted by the SAFE

As of December 31, 2011

No.	QDII	Type of Institution	Investment Quota (Unit: million US dollars)
1	Bank of China Limited	Commercial Bank	1000
2	Industrial and Commercial Bank of China Limited	Commercial Bank	2000
3	Bank of East Asia (China) Limited	Commercial Bank	200
4	Bank of Communications Co., Ltd.	Commercial Bank	500
5	China Construction Bank Corporation	Commercial Bank	700
6	HSBC Bank (China) Company Limited	Commercial Bank	700
7	China Merchants Bank Co., Limited	Commercial Bank	500
8	China Citic Bank	Commercial Bank	200
9	Hang Seng Bank (China) Company Limited	Commercial Bank	30
10	Citibank (China) Co., Ltd.	Commercial Bank	700
11	Industrial Bank	Commercial Bank	500
12	Standard Chartered Bank (China) Limited	Commercial Bank	700
13	Minsheng Bank	Commercial Bank	100
14	China Everbright Bank	Commercial Bank	100
15	Bank of Beijing	Commercial Bank	50
16	Bank of China (Hong Kong) Limited	Commercial Bank	30
17	Credit Suisse Shanghai Branch	Commercial Bank	30
18	Agricultural Bank of China	Commercial Bank	600
19	Nanyang Commercial Bank (China) Co., Ltd.	Commercial Bank	30
20	Deutsche Bank (China) Co., Ltd.	Commercial Bank	30
21	Shanghai Pudong Development Bank	Commercial Bank	30
22	Bank of Shanghai	Commercial Bank	30
23	DBS Bank (China) Limited	Commercial Bank	100
24	BNP Paribas (China) Limited	Commercial Bank	100
25	Société General (China) Limited	Commercial Bank	100
26	OCBC Bank (China) Limited	Commercial Bank	100
27	Hua An Fund Management Co.	Fund Management Company	500
28	China Southern Fund Management Co.	Fund Management Company	5000
29	China Asset Management Co.	Fund Management Company	5000
30	Harvest Fund Management Co.	Fund Management Company	5000
31	China International Fund Management Co.	Fund Management Company	5000
32	ICBC Credit Suisse Asset Management Co.	Fund Management Company	1000
33	Fortune SGAM Fund Management Co.	Fund Management Company	1000
34	China International Capital Co., Ltd.	Securities Company	1000



Table S14 (continued)

No.	QDII	Type of Institution	Investment Quota (Unit: million US dollars)
35	HFT Investment Management Co.	Fund Management Company	1000
36	Yinhua Fund Management Co.	Fund Management Company	1000
37	China Merchants Securities Co., Ltd.	Securities Company	200
38	Bank of Communications Schroder Fund Management Co.	Fund Management Company	1000
39	E Fund Management Co., Ltd.	Fund Management Company	1000
40	China Merchants Fund Management Co., Ltd.	Fund Management Company	500
41	China Universal Asset Management Co., Ltd.	Fund Management Company	1000
42	Bosera Funds	Fund Management Company	1000
43	GF Fund Management Co., Ltd.	Fund Management Company	1000
44	Penghua Fund Management Co., Ltd.	Fund Management Company	800
45	Changsheng Fund Management Co., Ltd.	Fund Management Company	700
46	Guotai Asset Management Co., Ltd.	Fund Management Company	700
47	UBS SDIC Fund Management Co., Ltd.	Fund Management Company	700
48	CCB Principal Asset Management Co., Ltd.	Fund Management Company	700
49	CITIC-Prudential Fund Management Company Ltd.	Fund Management Company	500
50	Lion Fund Management Co., Ltd.	Fund Management Company	2000
51	Everbright Pramerica Fund Management Co., Ltd.	Fund Management Company	500
52	Fullgoal Fund Management Co., Ltd.	Fund Management Company	800
53	Dacheng Fund Management Co., Ltd.	Fund Management Company	500
54	Bank of China Investment Management Co., Ltd.	Fund Management Company	700
55	MANULIFE TEDA Fund Management Co., Ltd.	Fund Management Company	500
56	HUATAI SECURITIES CO., LTD.	Securities Company	200
57	Shanghai Guotai Junan Security Assets Management Co., Ltd.	Securities Company	200
58	Chang Xin Asset Management Corporation Limited	Fund Management Company	500
59	Huatai-PineBridge Fund Management Co., Ltd.	Fund Management Company	500
60	Everbright Securities Co., Ltd.	Securities Company	200
61	Shanghai Orient Securities Asset Management Company Limited	Securities Company	200

Table S14 (concluded)

No.	QDII	Type of Institution	Investment Quota (Unit: million US dollars)
62	Invesco Great Wall Fund Management Company Limited	Fund Management Company	800
63	Franklin Templeton Sealand Fund Management Co., Ltd.	Fund Management Company	500
64	Guosen Securities Co., Ltd.	Securities Company	500
65	RongTong Fund Management Co., Ltd.	Fund Management Company	500
66	Ping An Insurance (Group) Co., Ltd.	Insurance Company	9890
67	China Life Insurance (Group) Company	Insurance Company	1500
68	PICC Property and Casualty Co.	Insurance Company	495
69	China Life Insurance Co., Ltd.	Insurance Company	2750
70	Taikang Life Insurance Co., Ltd.	Insurance Company	1385
71	Generali China Life Insurance Co., Ltd.	Insurance Company	15
72	People's Insurance Co. (Group) of China	Insurance Company	15
73	Sino Life Insurance Co., Ltd.	Insurance Company	9
74	China Reinsurance (Group) Co.	Insurance Company	350
75	China Pacific Insurance (Group) Co.	Insurance Company	537
76	China Pacific Life Insurance Co., Ltd.	Insurance Company	400
77	PICC Health Insurance Co., Ltd.	Insurance Company	15
78	PICC Life Insurance Co., Ltd.	Insurance Company	34
79	Anbang Insurance Co., Ltd.	Insurance Company	160
80	Taiping Life Insurance Co., Ltd.	Insurance Company	570
81	Sinosafe General Insurance Co., Ltd.	Insurance Company	120
82	Huatai Insurance Co., Ltd.	Insurance Company	130
83	Huatai Asset Management Co., Ltd.	Insurance Company	130
84	American International Assurance Company Limited	Insurance Company	168
85	Bohai Property Insurance Co., Ltd.	Insurance Company	5
86	AXA-Minmetals Assurance Co., Ltd.	Insurance Company	7.5
87	Dubon Property & Casualty Insurance Co., Ltd.	Insurance Company	25
88	Taiping General Insurance Co., Ltd.	Insurance Company	79
89	Minan Property And Casualty Insurance Company Limited	Insurance Company	25
90	China Property & Casualty Reinsurance Company Ltd.	Insurance Company	192
91	China Export & Credit Insurance Corporation	Insurance Company	580
92	China Credit Trust Co., Ltd.	Trust Company	500
93	Shanghai International Trust Co., Ltd.	Trust Company	500
94	Zhonghai Trust Co., Ltd.	Trust Company	200
95	Ping An Trust Co., Ltd.	Trust Company	300
96	Dalian Huaxin Trust Co., Ltd.	Trust Company	300

Table S15 RMB Qualified Foreign Institutional Investors (RQFIIs), with Investment Quotas Granted by the SAFE

As of January 2, 2012

No.	Name of RQFII	Investment Quota (in million yuan)
1	CSOP Asset Management Limited	1100
2	Harvest Global Investments Limited	1100
3	China Asset Management (Hong Kong) Limited	1200
4	Da Cheng International Asset Management Company Limited	1100
5	China Universal Asset Management (Hong Kong) Company Limited	1100
6	Bosera Asset Management (International) Co., Limited	1100
7	HFT Investment Management (HK) Limited	1100
8	HuaAn Asset Management (Hong Kong) Limited	1100
9	E Fund Management (HK) Co., Limited	1100
10	Shenyin Wanguo (H.K.) Limited	900
11	Essence International Financial Holdings Limited	900
12	China International Capital (HK) Corporation Limited	900
13	Guosen Securities(HK)Financial Holdings Company Limited	900
14	Everbright Securities Financial Holding Company Limited	900
15	Huatai Financial Holdings (Hong Kong) Limited	500
16	Guotai Junan Financial Holdings Limited	900
17	Haitong International Holdings Limited	900
18	GF Holdings (Hong Kong) Ltd.	900
19	China Merchants Securities International Co., Ltd.	900
20	CITIC Securities International Company Limited	900
21	Guoyuan Securities (HK) Co., Ltd.	500



Table S16 List of Banks Engaging in Forward Foreign Exchange Settlement and Sales

As of December 31, 2011

No.	Name of RQFII	No.	Name of RQFII
1	Industrial and Commercial Bank of China Limited	2	Agricultural Bank of China Limited
3	Bank of China Limited	4	China Construction Bank Corporation
5	Bank of Communications Co., Ltd.	6	China Citic Bank
7	China Merchants Bank Co., Limited	8	China Everbright Bank
9	HuaXia Bank Co., Limited	10	China Guangfa Bank Co., Ltd.
11	Shenzhen Development Bank	12	Industrial Bank Co., Ltd.
13	China Minsheng Banking Corp., Ltd.	14	China Zheshang Bank Co., Ltd.
15	China Bohai Bank Co., Ltd.	16	Export-Import Bank of China
17	China Development Bank	18	Bank of Beijing Co., Ltd.
19	Postal Savings Bank of China	20	Bank of Shanghai Co., Ltd.
21	Bank of Nanjing	22	Bank of Hangzhou
23	Bank of Ningbo Co., Ltd.	24	Ping An Bank Co., Ltd.
25	Bank of East Asia (China) Limited	26	Nanyang Commercial Bank (China) Co., Limited
27	Woori Bank China Limited	28	CITIC Bank International (China) Limited
29	First Sino Bank	30	Xiamen International Bank
31	BNP Paribas (China) Ltd.	32	Shanghai Pudong Development Bank
33	DBS Bank (China) Limited	34	Bank of America, Shanghai, Beijing and Guangzhou Branch
35	HSBC Bank (China) Company Limited	36	Bank of Montreal (China) Co., Ltd.
37	Citibank (China) Co., Ltd.	38	Standard Chartered Bank (China) Limited
39	Royal Bank of Scotland (China) Co., Ltd.	40	Morgan Chase Bank (China) Company Limited

Table S16 (concluded)

No.	Name of RQFII	No.	Name of RQFII
41	Société General (China) Limited	42	Credit Agricole Indosuez (China) Co., Limited
43	Sumitomo Mitsui Banking Corporation (China) Limited	44	Credit Suisse, Shanghai Branch
45	Australia and New Zealand Bank (China) Co., Ltd.	46	Commerzbank, Shanghai Branch and Beijing Branch
47	KBC Bank N.V., Shanghai, Shenzhen, Nanjing Branch	48	Intesa Sanpaolo S.P.A., Shanghai Branch
49	Hang Seng Bank (China) Limited	50	Rabobank, Shanghai Branch
51	ING Bank N. V., Shanghai Branch	52	United Overseas Bank (China) Ltd.
53	Platium Natexis Banques Populaires, Shanghai Branch	54	Deutsche Bank (China) Co., Ltd.
55	West DeutscheLandes Bank Ltd., Shanghai Branch	56	Chiyu Banking Corporation Ltd., Fuzhou, Xiamen Branch
57	Bank of Nova Scotia, Shanghai Branch and Guangzhou Branch	58	Wing Hang Bank (China) Limited
59	Mizuho Corporation Bank (China), Ltd.	60	OCBC Bank (China) Limited
61	UBS AG, Beijing Branch	62	Svenska Handelsbanken AB (publ), Shanghai Branch
63	DnB NOR Bank ASA, Shanghai Branch	64	Bank of Tokyo-Mitsubishi UFJ (China), Ltd.
65	Norddeutsche Landesbank Girozentrale, Shanghai Branch	66	Skandinaviska Enskilda Banken AB (publ), Shanghai Branch
67	Barclays Bank PLC, Shanghai Branch	68	Swedbank, Shanghai Branch
69	Nordea Bank AB, Shanghai Branch	70	State Bank of India, Shanghai Branch



Table S17 List of Banks Engaging in RMB Swap Business against Foreign Currencies

As of December 31, 2011

No.	Name of RQFIIs	No.	Name of RQFIIs
1	Industrial and Commercial Bank of China Limited	2	Agricultural Bank of China Limited
3	Bank of China Limited	4	China Construction Bank Corporation
5	Bank of Communications Co., Ltd.	6	China Citic Bank
7	China Merchants Bank Co., Limited	8	China Everbright Bank
9	HuaXia Bank Co., Limited	10	China Guangfa Bank Co., Ltd.
11	China Development Bank	12	Industrial Bank Co., Ltd.
13	China Bohai Bank Co., Ltd.	14	Bank of Ningbo Co., Ltd.
15	Bank of Shanghai Co., Ltd.	16	Bank of Hangzhou
17	Ping An Bank Co., Ltd.	18	Nanyang Commercial Bank (China) Co., Limited
19	First Sino Bank	20	CITIC Bank International (China) Limited
21	BNP Paribas (China) Ltd.	22	Xiamen International Bank
23	DBS Bank (China) Limited	24	Shanghai Pudong Development Bank
25	HSBC Bank (China) Company Limited	26	Bank of America, Shanghai, Beijing and Guangzhou Branch
27	Citibank (China) Co., Ltd.	28	Bank of Montreal (China) Co., Ltd.
29	Royal Bank of Scotland (China) Co., Ltd.	30	Standard Chartered Bank (China) Limited
31	Société General (China) Limited	32	Morgan Chase Bank (China) Company Limited
33	Sumitomo Mitsui Banking Corporation (China) Limited	34	Credit Suisse Shanghai Branch

Table S17 (concluded)

No.	Name of RQFIIs	No.	Name of RQFIIs
35	Australia and New Zealand Bank (China) Co., Ltd.	36	Commerzbank, Beijing Branch
37	KBC Bank N.V., Shanghai, Shenzhen, Nanjing Branch	38	United Overseas Bank (China) Ltd.
39	Hang Seng Bank (China) Limited	40	Deutsche Bank (China) Co., Ltd.
41	ING Bank N. V., Shanghai Branch	42	Mizuho Corporation Bank (China), Ltd.
43	Platium Natexis Banques Populaires, Shanghai Branch	44	UBS AG, Beijing Branch
45	Bank of Nova Scotia, Shanghai Branch	46	DnB NOR Bank ASA, Shanghai Branch
47	OCBC Bank (China) Limited	48	Barclays Bank PLC, Shanghai Branch
49	Svenska Handelsbanken AB (publ), Shanghai Branch	50	Skandinaviska Enskilda Banken AB (publ), Shanghai Branch
51	Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	52	Swedbank, Shanghai Branch



Table S18 Members of the Interbank Foreign Exchange Forward Market Registered with the SAFE

As of December 31, 2011

No.	Member
1	Bank of China
2	Industrial and Commercial Bank of China
3	China Construction Bank
4	Bank of Communications
5	China Citic Bank
6	Mizuho Corporation Bank (China) Ltd.
7	Bank of Montreal (China) Co., Ltd.
8	Citibank (China) Co., Ltd.
9	Credit Suisse, Shanghai Branch
10	Standard Chartered Bank (China) Limited
11	ING Bank N. V., Shanghai Branch
12	Société General (China) Limited
13	Deutsche Bank (China) Co., Ltd.
14	HSBC Bank (China) Company Limited
15	China Development Bank
16	Morgan Chase Bank (China) Company Limited
17	Sumitomo Mitsui Banking Corporation (China) Limited
18	Deutsche Bank (China) Co., Ltd., Beijing Branch
19	Export-Import Bank of China
20	Agricultural Bank of China
21	Industrial Bank
22	Xiamen International Bank
23	Hang Seng Bank (China) Limited
24	BNP Paribas (China) Ltd.
25	Bank of Tokyo-Mitsubishi UFJ (China), Ltd.
26	Royal Bank of Scotland (China) Co., Ltd.
27	Commerzbank, Shanghai Branch
28	Bank of America, Shanghai Branch
29	Credit Agricole Indosuez (China) Co., Limited
30	Huaxia Bank
31	China Merchants Bank
32	China Everbright Bank
33	China Minsheng Bank
34	Shanghai Pudong Development Bank
35	Platium Natexis Banques Populaires, Shanghai Branch
36	West DeutscheLandes Bank Ltd., Shanghai Branch
37	Rabobank, Shanghai Branch



Table S18 (concluded)

No.	Member
38	DBS Bank (China) Limited
39	Mizuho Corporate Bank Ltd., Shenzhen Branch
40	Bank of Shanghai
41	Norddeutsche Landesbank Girozentrale, Shanghai Branch
42	KBC Bank N.V., Shanghai Branch
43	Australia and New Zealand bank (China) Co., Ltd.
44	Mizuho Corporate Bank Ltd., Beijing Branch
45	Mizuho Corporate Bank Ltd., Dalian Branch
46	United Overseas Bank (China) Ltd.
47	Bank of East Asia (China) Limited
48	Shenzhen Development Bank
49	Ping An Bank
50	Bank of Beijing
51	The Bank of Nova Scotia, Guangzhou Branch
52	Chiyu Banking Corporation Ltd., Xiamen Branch
53	UBS AG, Beijing Branch
54	Intesa Sanpaolo S.P.A., Shanghai Branch
55	Skandinaviska Enskilda Banken AB (publ), Shanghai Branch
56	Barclays Bank PLC, Shanghai Branch
57	Bank of Ningbo
58	China Bohai Bank
59	Svenska Handelsbanken AB (publ), Shanghai Branch
60	First Sino Bank
61	OCBC Bank (China) Limited
62	China Zheshang Bank
63	Guangdong Development Bank
64	Bank of Nanjing
65	DnB NOR Bank ASA, Shanghai Branch
66	Bank of Hangzhou
67	Nanyang Commercial Bank (China) Co., Limited
68	Swedbank, Shanghai Branch
69	CITIC Bank International (China) Limited
70	Bank of Nova Scotia, Shanghai Branch
71	Woori Bank China Limited
72	Wing Hang Bank (China) Limited
73	Postal Savings Bank of China

Table S19 Banks as Market-Makers in the Trading of RMB-Forex on the Interbank Forex Market

As of December 31, 2011

Na melist of Banks	Spot Market- Maker	Forward-swap Market-Maker	Spot Trial Market-Maker	Forward-swap Trial Market-Maker
Bank of China	√	√		
Agricultural Bank of China	√	√		
Industrial and Commercial Bank of China	√	√		
China Construction Bank	√	√		
Bank of Communications	√	√		
China Citic Bank	√	√		
China Development Bank	√	√		
Shanghai Pudong Development Bank	√	√		
China Everbright Bank	√	√		
Huaxia Bank	√	√		
Industrial Bank	√	√		
Citibank (China) Co., Ltd.	√	√		
Standard Chartered Bank (China) Limited	√	√		
HSBC Bank (China) Company Limited	√	√		
Deutsche Bank (China) Co., Ltd.	√	√		
Sumitomo Mitsui Banking Corporation (China) Limited	√	√		
Bank of Tokyo-Mitsubishi UFJ (China) Ltd.	√	√		
Royal Bank of Scotland (China) Co., Ltd.	√	√		
China Merchants Bank	√	√		
China Minsheng Bank	√			√
Credit Agricole Indosuez (China) Co., Limited	√			√
Guangdong Development Bank	√			√
Shenzhen Development Bank	√			√
Bank of Ningbo	√	√		
Bank of Montreal (China) Co., Ltd.	√			√
BNP Paribas (China) Limited	√			√
Mizuho Corporation Bank (China), Ltd.			√	√
DBS Bank (China) Limited			√	√
Bank of America Shanghai Branch			√	√
JP Morgan Chase Bank (China) Company Limited			√	√
Postal Savings Bank of China			√	
Bank of Beijing			√	
Bank of Shanghai			√	
Bank of Nanjing			√	

Major Events in China's Foreign Exchange Administration in 2011

● January

January 1

The policy for overseas deposits of export revenue under trade in goods was implemented nationwide to improve the efficiency of capital utilization by enterprises and to reduce overseas financing costs.

January 5-6

The national foreign exchange administration working conference was held in Beijing. The conference conveyed and studied the spirit of the results of 5th Plenary Session of the Seventeenth Central Committee of the CPC and the Central Economic Work Conference. The proceedings provided an overall summary of work related to foreign exchange administration in 2010 and set forth the tasks for foreign exchange administration in 2011 based on an in-depth analysis of current circumstances regarding economic and financial trends as well as the balance of payments situation.

January 12

The *Circular of the State Administration of Foreign Exchange on Printing and Distributing the Rules for Inspecting Indirect Declarations of the Balance of Payments Statistics* (Huifa No. 1 [2011]) was released to further standardize inspection of the indirect declarations of the balance of payments statistics.

January 14

The SAFE convened an extended meeting of the central team of the Party Leadership Group on Theoretical Study to deliver and study the spirit of the 6th Plenary Session of the Seventeenth Central Commission for Discipline Inspection of the CPC, and conducted research and made implementation arrangements. Mr. Yi Gang, administrator of the SAFE, chaired the meeting.

January 19

The *Circular on Issues Concerning Foreign Exchange Administration for RMB-Forex Currency Swaps Provided by Designated Foreign Exchange Banks to*



Their Clients (Huifa No. 3 [2011]) was released to introduce the RMB-Forex currency swap business to the bank-to-client market as of March 1 so as to improve the structure of the currency swap market.

January 19

The *Circular of the State Administration of Foreign Exchange on Printing and Distributing the Interim Measures for Administration of Foreign Exchange Settlement and Sales Business for Individuals through E-banking* (Huifa No.10 [2011]) was promulgated, allowing the qualifying banks to apply for connections to the management information system for foreign exchange settlement and sales for individuals and to handle foreign exchange settlement and sales business for individuals via the e-banking system.

January 20

Mr. Yi Gang, administrator of the SAFE, convened and presided over the conference on the special topic of "Strengthening Construction of the Party's Work Style and Clean Government, and Actively Promoting Law-based Administration" to deeply study and implement the spirit of the Sixth Plenary Session of the Seventeenth CPC Central Commission for Discipline Inspection and to arrange and implement law-based administration work in the foreign exchange administration system.

● February

February 14

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning RMB Options Trading against Foreign Exchange* (Huifa No. 8 [2011]) was released to introduce the RMB-Forex options business to the bank-to-client market and the interbank foreign exchange market as of April 1, and to further enrich the products on the foreign exchange market.

February 17

The *2010 Cross-border Capital Flow Monitoring Report* was issued for the first time to help all circles in the society correctly interpret the status of China's cross-border capital flows.



● March

March 3

The State Commission Office for Public Sector Reform approved the establishment by the SAFE of a Discipline Inspection Group and a Supervision Office.

March 12

At a press conference held by the news center of the Fifth Session of the Eleventh National People's Congress, Mr. Yi Gang, administrator of the SAFE, answered questions raised by Chinese and foreign journalists on "Monetary Policy and Financial Reform."

March 12

The Measures of the State Administration of Foreign Exchange on Implementation of the Responsibility System for Construction of the Party's Work Style and Clean Government and the Work Plan of the State Administration of Foreign Exchange for Construction of the Party's Work Style and Clean Government (2011-2015) were promulgated.

March 18

The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Further Strengthening Administration of Foreign Exchange Business (Huifa No.11 [2011]) was released to further regulate cross-border capital flows as well as to check on the inflows and exchange settlement of illegal capital.

March 18

The Circular of the General Affairs Department of the State Administration of Foreign Exchange on Issues Concerning Further Improvements in the Annual Inspections of the Foreign Exchange Business of Foreign-Invested Enterprises in 2011 (Hui Zong Fa No. 25 [2011]) was released to arrange for annual inspections of the foreign exchange business of foreign-invested enterprises in 2011.

March 25

The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Regulation of Administration of the Record Filing for Guarantees Involved in the Outward Transfer of Non-performing Assets

by *Financial Asset Management Companies* (Huifa No. 13 [2011]) was released to define the administrative procedures related to the supplementary registration of the guarantee for disposal of non-performing assets to foreign parties by financial asset management companies.

March 28

The *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Distributing the Operational Guidelines for Businesses under the Capital Account in the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Business* (Hui Zong Fa No. 29 [2011]) was released to further standardize the management requirements and operational procedures related to such business as direct investments, return investments, and short-term external debt.

March 28

The SAFE convened an extended meeting of the central team of the Party Leadership Group on Theoretical Study to deliver and study the spirit of the State Council's Fourth Working Conference on the Construction of Honest and Clean Government, and carried out research and made arrangements for implementation work. Mr. Yi Gang, administrator of the SAFE, chaired the meeting.

March 29

The *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Expanding the Scope of the Region for the Trade Credit Survey and Increasing the Frequency of the Survey* (Hui Zong Fa No. 28 [2011]) was released to expand nationwide the regional scope of the trade credit survey, and to increase the survey frequency from a semi-annual basis to a quarterly basis.

March 30

The *Circular of the State Administration of Foreign Exchange on Issues Concerning Ratification of the Quotas for Outstanding Short-term External Debts of Domestic Institutions in 2011* (Huifa No.14 [2011]) was released to further moderately reduce the total scale of the quota for outstanding short-term external debts on the basis of a decrease of 1.5% from 2010, as well as to optimize the quota distribution structure, reduce the quotas on some banks

with relatively large-scale interbank deposits/lending, and support the import financing of small and medium banks.

March 31

The SAFE Head Office held a contest on knowledge about Party history based on the theme of "Remembering the History, and Inheriting and Passing on the Glory — Commemorating the 90th Anniversary of the Founding of the CPC".

● April

April 1

The *Reply of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Issues Concerning Donations Made by Domestic Institutions to Non-profit Institutions in Japan* was released to facilitate the provision of donations and support to non-profit institutions in Japan for Japanese earthquake disaster relief by domestic institutions.

April 6

The *Reply of the State Administration of Foreign Exchange on Relevant Foreign Exchange Administration Policies Applied During the Period of the International Horticultural Exposition 2011 Xi'an* was released to provide facilitation policies with respect to the Exposition, and to carry out efficiently financial service work provided to international major activities.

April 8

The SAFE and the Ministry of Public Security (MPS) convened a summing up and awards ceremony on struggling against illegal and criminal foreign exchange activities. The conference summarized progress made by the SAFE and the MPS in 2010 in cracking down on illegal and criminal activities in foreign exchange transactions, such as underground money shops, on-line foreign exchange speculation, and so forth, and commended advanced organizations and individuals for outstanding performance in these campaigns.

April 11

The *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Issues Concerning Regulation of Cross-border RMB Business Operations under the Capital Account* (Hui Zong Fa No.38 [2011]) was released to regulate the operations of and the statistics on RMB business under the capital account, such as overseas direct investments,



foreign direct investments, overseas loans, external debts, external guarantees, outward remittances by foreign shareholders holding A- Shares of income gained a the reduction of shares or bonus income, and outward remittances by H-Share listed companies of dividends of foreign shareholders.

April 15

The *Outline for the Twelfth Five-year IT Plan for Foreign Exchange Administration* was released to provide guidance on IT work for foreign exchange administration during the Twelfth Five-year Plan period, and on service and technical support for the reform of foreign exchange administration.

April 23

The data backup system renovation projects of the SAFE branches were completed in all respects, thereby improving the security of the business data of the SAFE branches.

In April, a campaign called "Warning Education Month for Construction of the Party's Work Style and Clean Government" was carried out to further consolidate the foundation for clean governance through such means as holding training courses for cadres above the deputy divisional level, carrying out Clean Government and Party Day activities, and executing responsibility documents for constructing the Party's work style and clean government.

● May

May 3

The *Reply of the State Administration of Foreign Exchange on Relevant Foreign Exchange Administration Policies Applied during the Period of the 26th World University Summer Games* was released to provide facilitation policies with respect to the Universiade Shenzhen 2011, and to carry out effectively financial service work provided to major international activities.

May 20

The *Operational Rules on Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-purpose Overseas Companies* (Huifa No. 19 [2011]) were promulgated to standardize and streamline the procedures to register special-purpose companies.



May 23

The *Circular of the State Administration of Foreign Exchange on Cancelling and Adjusting the Approval Authority and the Administrative Measures for Certain Foreign Exchange Businesses Under the Capital Account* (Huifa No. 20 [2011]) was released to delegate the approval authority for 5 types of businesses, including trade credit and external guarantees to local SAFE branches, and to optimize the business management process.

● June

June 8

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Improving Administration of the Banks' Own Foreign Exchange Settlement and Sales Business* (Huifa No. 23 [2011]) was released to define the standard for domestic and foreign currency conversion of the banks' capital (or working capital), to simplify the examination procedures for foreign exchange settlement of the banks' foreign exchange profits, and to cancel the examination procedures for payments of foreign shareholders' bonuses by banks.

June 20

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration of the Overseas Financial Derivative Business of Enterprises under the Control of the Central Government* (Huifa No. 24 [2011]) was released to define the requirements for enterprises under the control of the central government to handle foreign exchange registration procedures to carry out their overseas derivative trading, and to regulate matters related to the aforesaid business, such as the opening of domestic and overseas foreign exchange accounts and administration of fund exchanges.

June 29

The SAFE ceremoniously commemorated the 90th anniversary of the founding of the CPC by commending advanced grassroots Party organizations, outstanding Party members, and party affairs workers, and representatives of new and old Party members swore oaths to the Party flag and took part in a singing contest based on the theme of "Presenting the Ode to the Party."

● July

July 3

Mr. Yi Gang, administrator of the SAFE, convened and presided over an enlarged meeting of the central team of the Party Leadership Group on Theoretical Study to study and implement the spirit of the important speech delivered by General Secretary Hu Jintao at the meeting commemorating the 90th Anniversary of the founding of the Communist Party of China, and to set forth and implement relevant work.

July 4

The *Work Program of the State Administration of Foreign Exchange for the Government Procurement Plan and Its Implementation and Report* was released to regulate work related to the procurement plan and its implementation and report.

July 6

The *Circular of the State Administration of Foreign Exchange on Further Promoting Reform of the Foreign Exchange Administration Mode for Sub-loans from Foreign Governments and International Financial Organizations* (Huifa No. 26 [2011]) was released to further promote reform of the foreign exchange administration mode for the banks' on-lending in accordance with the administrative mode of "Uniform Registration, Uniform Foreign Exchange Settlement, and Uniform Foreign Exchange Purchases."

July 11

Information about punishments for irregular operations of foreign exchange business by some enterprises and individuals was circulated on the official website of the SAFE.

July 20-28

The Q&As on Hot Issues Regarding Foreign Exchange Reserves were released in three parts on the official website of the SAFE, answering related issues that have attracted the attention of the media and the public.

July 21

The *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Business Operation Issues Concerning Improving Administration of the Payment and Settlement of Foreign Exchange Capital*



of *Foreign-Invested Enterprises* (Hui Zong Fa No. 88 [2011]) was released, requiring a pilot program for invoice inspections and for strengthening management of the settlement of foreign exchange capital.

July 24

The SAFE's budget for the "Three Public Expenses" for 2010-2011 and its implementation information form were published on the SAFE's official website.

July 27

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Ratification of the Quotas for the Balance in External Financing Guarantees of Domestic Banks in 2011* (Huifa No. 30 [2011]) was released to modestly reduce the aggregate quota for external financing guarantees of domestic banks in 2011 and to further clarify the relevant management principles.

● August

August 1

The SAFE promoted nationwide the use of the platform for comprehensive utilization of data, and took a substantial step toward the comprehensive utilization of existing data and the establishment of a mechanism for monitoring, analysis, and ex-post supervision.

August 3-4

The director-generals of the SAFE branches attended a symposium in Nanchang, Jiangxi province. The participants earnestly studied and implemented the decisions and plans of the Party Central Committee and the State Council on economic work for the second half of the year, reviewed and summarized foreign exchange administration work in the first half of the year, conducted in-depth analyses of the current foreign exchange situation, and mapped out the management tasks for the latter half of the year.

August 3-11

SAFE cadres who are Party members were organized to participate in the "Contest on Knowledge about Honest and Clean Government to Commemorate the 90th Anniversary of the Founding of the CPC" organized by the Work Committee of the Central Government Departments.

August 17

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Definitions and Adjustments to the Declaration of the Balance of Payments Statistics* (Huifa No.31 [2011]) was released to further improve the statistical declaration rules for the balance of payments (BOP), defining the declaration of the BOP statistics for RMB collections and payments between domestic residents and domestic non-residents, and other matters related to the declaration of the BOP statistics, and furthermore repealing 29 normative documents with respect to the declaration of the BOP statistics.

August 17

The achievements of cracking down on the illegal sale and purchase of foreign exchange, such as underground money shops, in the first half of 2011 were published on the SAFE's official website.

● September

September 6

Comrade Yang Guozhong was appointed leader of the Discipline Inspection Group and a member of the CPC Leading Group of the SAFE.

September 15

The *Announcement on the Pilot Reform of the Foreign Exchange Administration System for Trade in Goods*, released jointly with the State Administration of Taxation and the General Administration of Customs, noted that as of December 1, 2011, a pilot program for establishing a new administration mode combining facilitation and risk management will be carried out in seven provinces (cities), such as Jiangsu and Shandong.

September 16

The SAFE organized 36 SAFE branches to take part in the "Contest on Foreign Exchange Administration Knowledge and Skills."

September 21

The *Circular of the State Administration of Foreign Exchange on Improving the Foreign Exchange Administration Mode for External Debt On-lending by the Export-Import Bank of China* (Huifa No. 36 [2011]) was released to further simplify foreign exchange administration procedures and promote

reform of the foreign exchange administration mode for foreign government loans and international financial organization loans (including grants), the on-lending of which is the responsibility of the Export-Import Bank of China.

September 27-29

Training courses were held on two occasions for cadres above the director level who are Party members to study the important speech delivered by General Secretary Hu Jintao on "July 1."

In September, special inspections were carried out on implementation of the *Code of Ethics for Leading Cadres Who are CPC Members* in accordance with the arrangements of the CPC Central Commission for Discipline Inspection.

● October

October 19

The *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Carrying Out Investigations of the Banks' Trade Financing Business* (Hui Zong Fa No. 114 [2011]) was released to timely and accurately reveal in an all-around way information about the trade financing carried out by China's import and export enterprises through domestic banks.

October 19

The SAFE convened an extended meeting of the central team of the Party Leadership Group on Theoretical Study to deliver and study the spirit of the 6th Plenary Session of the Seventeenth CPC Central Committee, and carried out research and made arrangements for the implementation work. Mr. Yi Gang, administrator of the SAFE, chaired the meeting.

October 21

The *Circular of the State Administration of Foreign Exchange on Trial Implementation of the "Watch List" Management Methods against Individual Foreign Exchange Settlement and Sales by Splitting a Large Amount of Funds into Smaller Amounts with Respect to the Banks Engaging in Individual Foreign Exchange Settlement and Sales Business via e-banking* was released to require the banks engaging in individual foreign exchange settlement and sales business via e-banking to simultaneously implement the "Watch List" management method against individual foreign exchange settlement and



sales by splitting a large amount of funds into smaller amounts, and to realize classified management against individuals who carry out foreign exchange settlement and sales by splitting a large amount of funds into smaller amounts in violation of the regulations on foreign exchange administration.

● November

November 8

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Banks' Handling of the RMB-Forex Options Portfolio Business* (Huifa No. 43 [2011]) was released to allow banks to handle for their clients the risk reversal options portfolio business as of December 1.

November 11

Detailed Rules of the State Administration of Foreign Exchange on Implementation of Management of the Standardization of the Information System Codes were released to further standardize the information system codes and to incorporate the organizational codes into the standardized management.

November 16

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Further Defining and Regulating Administration of Some Foreign Exchange Business Under the Capital Account* (Huifa No. 45 [2011]) was released to further regulate administration of some foreign exchange business under the capital account, such as direct investments by foreign-invested enterprises and the external debt.

November 18

Cadres above the deputy director level who were organized to participate in the "Test for Leading Cadres on Knowledge about Clean Government 2011", organized by the People's Bank of China, achieved excellent average scores and were praised in a circular.

November 18

Construction of the SAFE's business recovery center facilities in Shanghai officially commenced.

November 21

The *Implementation Breakdown of the 12th Five-year IT Plan for Foreign*



Exchange Administration was released to crystallize the overall arrangements and relevant requirements for the Outline for the 12th Five-year IT Plan for Foreign Exchange Administration.

November 21

The Foreign Exchange Monitoring System for Trade in Goods began on-line operations in cooperation with the pilot reform on the foreign exchange administration system for trade in goods.

November 22

The *Circular on Relevant Issues Concerning the Policy for Domestic Enterprises' RMB Loans Pledged With Foreign Exchange* (Huifa No.46 [2011]) was released to gradually eliminate the difference between the financing policies for Chinese-funded enterprises and those for foreign-funded enterprises, and to alleviate the trade financing difficulties of small and medium enterprises.

● December

December 8

The *Circular on Further Improving Administration Measures for Foreign-funded Investment Companies* (Shang Zi Han No.1078 [2011]) was released jointly with the Ministry of Commerce to regulate the examination and approval procedures and foreign exchange administration for foreign-funded investment companies.

December 13

The *Circular of the State Administration of Foreign Exchange on Doing Well the Work Related to Adjustments in the Domestic Banks' Foreign-related Receipt and Payment Vouchers and Preparation of the Relevant Information for Submission* was released to adjust the content of domestic banks' foreign-related receipt and payment vouchers, the requirements for the declaration of the BOP statistics, and the scope of domestic receipts and payments vouchers, and to regulate the collection of information on foreign exchange settlement and sales in institutions' foreign exchange accounts and individual foreign exchange accounts under the capital account.

December 14

The SAFE convened an extended meeting of the central team of the Party

Leadership Group on Theoretical Study to study and implement the spirit of the Central Economic Work Conference. Mr. Yi Gang, administrator of the SAFE, chaired the meeting.

December 23

The *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Pilot Program for Domestic Securities Investments by Fund Management Companies and Securities Companies as RMB Qualified Foreign Institutional Investors* (Huifa No. 50 [2011]) was released to facilitate the pilot program for domestic securities investments by RMB qualified foreign institutional investors.

December 26

Pilot operations of the new version of the official website of the State Administration of Foreign Exchange were launched.



Major Foreign Exchange Administration Policies and Regulations Promulgated in 2011

A. General

1. Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Further Strengthening the Administration of Foreign Exchange Business

Huifa No. 11 [2011]

Date of Promulgation: Mar. 18, 2011

Effective Date: Apr. 1, 2011

Summary: Further strengthening the administration of the banks' comprehensive positions on foreign exchange settlement and sales and reducing the lower limit for the negative positions of the banks' settlement and sales of foreign exchange on a cash basis based on the differing circumstances; strengthening administration of foreign exchange for transit trade, and incorporating the proceeds from transit trade into the administration of the to-be-verified accounts; appropriately reducing the basic proportions of enterprise quotas for foreign exchange receipts and payments in terms of advances on sales under trade in goods and deferred payments for a term of over 90 days; further reducing the aggregate quota for short-term external debts of domestic financial institutions, and appropriately reducing the quotas for the outstanding short-term external debts of banks with relatively large amounts of interbank deposits and lending.



B. The Balance of payments Statistics and Foreign Exchange Administration of Financial Institutions and the Foreign Exchange Market

2. Circular of the State Administration of Foreign Exchange on Printing and Distributing the System for the Verification of Indirect Declarations of the Statistics on the Balance of Payments

Huifa No. 1 [2011]

Date of Promulgation: Jan. 12, 2011

Effective Date: Feb. 1, 2011

Summary: The verification methods for indirect declarations include off-site and on-site verifications. Off-site verifications are mainly for the foreign-related receipts and payments data and the entities' basic information forms in the BOP on-line declaration system (SAFE version), and for the electronic data in the comprehensive search system. On-site verifications are mainly for the declaration of foreign-related receipts and payments by the banks and the declarers and the relevant circumstances, specifically on the filing and maintenance of the entities' basic information forms, the consistency between the declared information and the actual transactions, and the promptness and completeness of the declarations.

3. Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for RMB-Forex Currency Swaps Provided by Designated Foreign Exchange Banks to Their Clients

Huifa No. 3 [2011]

Date of Promulgation: Jan. 19, 2011

Effective Date: Mar. 1, 2011

Summary: Market access management is simplified. Any banks that have acquired one-year qualification for operating RMB-Forex swaps for its clients can launch currency swaps directly for their clients. Market transactions are facilitated. Transaction elements such as currencies and terms in the currency swap business provided by the banks to their clients will be determined by the banks at their own discretion. Interest rates in the currency swaps will be determined by both parties in the contract through negotiations, which shall comply with the regulations of the People's Bank of China on the



administration of deposit and lending rates.

4. Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning RMB-Forex Options Trading

Huifa No. 8 [2011]

Date of Promulgation: Feb. 14, 2011

Effective Date: Apr. 1, 2011

Summary: Record filing administration is carried out for the banks' engagement in options business, non-market-oriented access conditions are not set, and the Delta position of the banks' options trading is subject to uniform administration on the synthetic positions concerning foreign exchange settlement and sales.

5. Circular of the SAFE on Relevant Issues Concerning Improving the Administration of the Banks' Own Foreign Exchange Settlement and Sales Business

Huifa No. 23 [2011]

Date of Promulgation: Jun. 8, 2011

Effective Date: Jul. 1, 2011

Summary: It sorts out and integrates the administration policies for the banks' own foreign exchange settlement and sales, regulates the business for which the provisions in the existing policies are insufficiently clear, cancels the prior examination requirements for the banks' payment of the foreign shareholders' dividends or bonuses and outward remittances of foreign-funded bank profits, and formulates a uniform quantitative standard for domestic and foreign currency conversion of the banks' capital (or working capital).

6. Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Banks' Handling of RMB-Forex Options Portfolio Business

Huifa No. 43 [2011]

Date of Promulgation: Nov. 8, 2011

Effective Date: Dec. 1, 2011

Summary: The foreign exchange put and risk-reversal options portfolio business and the foreign exchange call and risk-reversal options portfolio business are introduced, both of which are options portfolio businesses at zero cost, thus they are conducive to enhancing flexibility in maintaining

value and reducing trading costs.

C. Foreign Exchange Administration under the Current Account

7. Circular of the SAFE on Promulgation of the Interim Measures for the Administration of E-bank-based Foreign Exchange Settlement and Sales for Individuals

Huifa No. 10 [2011]

Date of Promulgation: Jan. 19, 2011

Effective Date: Apr. 1, 2011

Summary: Individuals both at home and abroad are allowed to use their own accounts to handle the settlement and purchase of foreign exchange within the annual aggregate under the current account (exclusive of trade) via multiple e-banking channels, such as on-line banking, self-service terminals, phone banking, and mobile banking. The banks shall comply with the foreign exchange administration regulations for the handling of e-banking-based foreign exchange settlement and sales for individuals, and shall ensure that the data entered into the information system for the administration of the foreign exchange settlement and sales for individuals are authentic, complete, and accurate.

8. Announcement of the SAFE, the State Administration of Taxation, and the General Administration of Customs on the Pilot Reform of the Foreign Exchange Administration System for Trade in Goods

Announcement No. 2 [2011] of the State Administration of Foreign Exchange

Date of Promulgation: Sept. 9, 2011

Effective Date: Dec. 1, 2011

Summary: The foreign exchange administration system for trade in goods is reformed to optimize and upgrade the information-sharing mechanism for foreign exchange receipts from exports and export rebates. Entering into effect as of December 1, 2011, a pilot reform took place in provinces (cities) such as Jiangsu, Shandong, Hubei, Zhejiang (excluding Ningbo), Fujian (excluding Xiamen), Dalian, and Qingdao. According to the reform policies,



a majority of enterprises will enjoy the facilitation to the maximum degree during the handling of foreign exchange receipts and payments from trade; meanwhile, the SAFE will strengthen supervision of non-compliant enterprises with respect to document examinations regarding receipts and payments from trade, business type, mode of settlement, and relevant handling procedures.

9. Circular of the State Administration of Foreign Exchange on the Issuance of the Operational Rules on the Guidelines for the Pilot Implementation of Foreign Exchange Administration for Trade in Goods (Bank Version and Enterprise Version) and Relevant Issues Concerning the Pilot Reform

Huifa No. 40 [2011]

Date of Promulgation: Oct. 21, 2011

Effective Date: Dec. 1, 2011

Summary: As of the effective date of the pilot, the Operational Rules on the Guidelines for the Pilot Implementation of Foreign Exchange Administration for Trade in Goods (Bank Version and Enterprise Version) is implemented in the pilot regions, on-line operations of the Foreign Exchange Monitoring System for Trade in Goods are begun, banks in the pilot regions are arranged to do the work related to the preparation and system connection of the on-line operations, and issues are clarified on the connections between the policies applicable to the business of the foreign exchange receipts and payments of trade handled within and outside the pilot regions respectively.

D. Foreign Exchange Administration under the Capital Account

10. Circular of the State Administration of Foreign Exchange on Issues Concerning Verification of the Quotas for the Outstanding Short-term External Debts of Domestic Institutions in 2011

Huifa No. 14 [2011]

Date of Promulgation: Mar. 30, 2011

Effective Date: Apr. 1, 2011

Summary: The aggregate quota for the outstanding short-term external debts of domestic institutions in 2011, based on a reduction in the relevant quotas in 2010, is once again modestly reduced. If on the date of the reduction of the

quota, domestic institutions, whose quotas have been adjusted downward and whose outstanding short-term external debt subject to quota control already exceeds the newly-ratified quota, shall, within 3 months time, bring the outstanding short-term external debt subject to actual quota control to within the scope of the newly-ratified quota.

11. Circular of the State Administration of Foreign Exchange on Printing and Distributing the Operational Rules on Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies

Huifa No. 19 [2011]

Date of Promulgation: May 20, 2011

Effective Date: Jul. 1, 2011

Summary: To further clarifying relevant issues regarding management principles and application of the Circular of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration of Financing and Return Investments through Overseas Special-purpose Companies by Domestic Residents (Huifa No. 75 [2005]).

12. Circular of the State Administration of Foreign Exchange on Cancellations and Adjustments to the Approval Authority and Administrative Measures for Certain Foreign Exchange Businesses under the Capital Account

Huifa No. 20 [2011]

Date of Promulgation: May 23, 2011

Effective Date: Jun. 1, 2011

Summary: Procedures for the registration and approval of overdue deferred payments and for the examination and approval for the return of foreign exchange under advance payments are cancelled. The branches and foreign exchange administrative departments of the SAFE are authorized to check and ratify the quota of the balance in the external financing guarantee (excluding those explicitly stipulated to be ratified by the SAFE) for the designated foreign exchange banks registered within their jurisdictions in accordance with the current regulations on the administration of external guarantees.



13. Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Ratification of the Quotas for the Balance in External Financing Guarantees of Domestic Banks in 2011

Huifa No. 30 [2011]

Date of Promulgation: Jul. 27, 2011

Effective Date: Jul. 27, 2011

Summary: The aggregate quota for external financing guarantees of domestic banks in 2011 is appropriately reduced based on the relevant quota in 2010. The banks shall not handle new external financing guarantees before the balance of the external financing guarantee is reduced to the newly-ratified quota.

14. Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Pilot Program of Domestic Securities Investments by Fund Management Companies and Securities Companies as RMB Qualified Foreign Institutional Investors

Huifa No. 50 [2011]

Date of Promulgation: Dec. 22, 2011

Effective Date: Dec. 22, 2011

Summary: The quota for domestic securities investments by RQFII (hereinafter referred to as the "investment quota") shall be subject to balance control, and the cumulative net inward remittances of RMB funds by RQFII shall not exceed the approved investment quota. RQFII with an investment quota may entrust a trustee to handle the relevant procedures for the inward and outward remittance of funds and for the purchase of foreign exchange on its behalf based on the strength of the approval document for the investment quota issued by the SAFE.





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