Law on the People’s Bank of China of the PRC

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purpose of defining the status and functions of the People's Bank of China, ensuring the correct formulation and implementation of the State's monetary policy, establishing and improving the macro-control system of the central bank, and maintaining financial stability.

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Article 2 — The People's Bank of China is the central bank of the People's Republic of China. Under the leadership of the State Council, the People's Bank of China shall formulate and implement monetary policy, prevent and resolve financial risks, and maintain financial stability.

Article 3 — The objective of monetary policy shall be to maintain the stability of the value of the currency and thereby promote economic growth.

Article 4 — The People's Bank of China shall perform the following functions:

(1) To formulate and implement monetary policy in accordance with the law;

(2) To issue Renminbi and administer its circulation;

(3) To approve and supervise financial institutions in accordance with regulations;

(4) To supervise and administer the financial market in accordance with regulations;

(5) To promulgate orders, rules and regulations concerning financial supervision and administration and business operations;

(6) To hold, administer and operate the State's foreign exchange reserves and gold reserves;

(7) To act as fiscal agent for the State Treasury;

(8) To maintain the normal operation of the payment and settlement systems;

(9) To organize and coordinate anti-money laundering work and monitor funds flows to prevent and combat money laundering activities;

(10) To be responsible for statistics, investigation, analysis and forecasting of the financial industry;

(11) To participate in international financial activities as the central bank of the State;

(12) To perform other functions prescribed by the State Council.

Article 5 — The People's Bank of China shall submit to the State Council for approval before implementing its annual monetary aggregate, interest rates, exchange rates and other important matters prescribed by the State Council. The People's Bank of China may decide on other monetary policy matters and implement them after filing with the State Council for the record.

Article 6 — The People's Bank of China shall submit to the Standing Committee of the National People's Congress a work report on monetary policy and the financial industry.

Article 7 — Under the leadership of the State Council, the People's Bank of China shall independently implement monetary policy, perform its functions and carry out its business operations in accordance with the law, free from intervention by local governments, government departments at various levels, public organizations or individuals.

Article 8 — All capital of the People's Bank of China shall be allocated by the State.

Chapter II — Organizational Structure

Article 9 — The People's Bank of China shall have a governor and a number of deputy governors. The governor of the People's Bank of China shall be nominated by the Premier of the State Council and decided by the National People's Congress; when the National People's Congress is not in session, the Standing Committee of the National People's Congress shall decide and the President of the People's Republic of China shall appoint and remove the governor. The deputy governors of the People's Bank of China shall be appointed and removed by the Premier of the State Council.

Article 10 — The People's Bank of China shall implement a system under which the governor assumes full responsibility. The governor shall direct the work of the People's Bank of China, and the deputy governors

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shall assist the governor in his or her work.

Article 11 — The People's Bank of China shall establish a monetary policy committee whose functions, composition and working procedures shall be prescribed by the State Council and reported to the Standing Committee of the National People's Congress for the record. The monetary policy committee shall play an important role in the macro-control of monetary policy and the formulation and adjustment of monetary policy.

Article 12 — Based on the needs of its functions, the People's Bank of China shall establish branch offices as its dispatched agencies. The People's Bank of China shall exercise unified leadership and administration over its branch offices. The branch offices of the People's Bank of China shall perform the functions of the central bank in their respective regions in accordance with the authorization of the People's Bank of China.

Article 13 — The governor, deputy governors and other staff members of the People's Bank of China shall be diligent in their duties and shall not abuse their powers, neglect their duties or engage in malpractice for personal gain. They shall not hold concurrent posts in any financial institution, enterprise or foundation.

Article 14 — The governor, deputy governors and other staff members of the People's Bank of China shall keep confidential State secrets and the business secrets of the financial institutions under their supervision and administration that they have access to in the course of performing their duties.

Chapter III — Renminbi

Article 15 — The legal tender of the People's Republic of China is the Renminbi. Renminbi shall be used for the settlement of all public and private debts within the territory of the People's Republic of China and no unit or individual may refuse to accept it.

Article 16 — The basic unit of Renminbi is the yuan, and the subsidiary units are the jiao and the fen.

Article 17 — Renminbi shall be uniformly printed and issued by the People's Bank of China. When issuing a new version of Renminbi, the People's Bank of China shall announce the issue date, face value, design and specifications to the public.

Article 18 — Counterfeiting or altering of Renminbi is prohibited. The sale and purchase of counterfeited or altered Renminbi is prohibited. The transportation, holding or use of counterfeited or altered Renminbi is prohibited. The deliberate damaging of Renminbi, or obstructing the circulation of Renminbi by making, imitating or reproducing the design of Renminbi in printed materials, promotional materials or other articles in a large quantity is prohibited.

Article 19 — No unit or individual may print or issue any type of securities in lieu of Renminbi for circulation in the market.

Article 20 — Damaged or soiled Renminbi shall be recalled or exchanged by the People's Bank of China in accordance with the regulations prescribed by the People's Bank of China. The procedures for the recall and exchange of damaged and soiled Renminbi shall be prescribed by the People's Bank of China.

Article 21 — The People's Bank of China shall establish a Renminbi issuance treasury and its branch treasuries. The branch treasuries shall allocate Renminbi issuance funds in accordance with the orders of allocation issued by the superior treasury. No unit or individual may use issuance funds in violation of regulations.

Chapter IV — Business Operations

Article 22 — In order to implement monetary policy, the People's Bank of China may apply the following monetary policy instruments:

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(1) Requiring banking financial institutions to deposit reserve funds with the central bank in accordance with prescribed ratios;

(2) Determining the base interest rates for the central bank;

(3) Conducting rediscount operations for banking financial institutions that have opened accounts with the People's Bank of China;

(4) Extending loans to commercial banks;

(5) Buying and selling government bonds, other government securities, financial bonds and foreign exchange in the open market;

(6) Other monetary policy instruments prescribed by the State Council.

Article 23 — The People's Bank of China may, in accordance with the needs of implementing monetary policy, determine the amount, term, interest rate and method of loans extended to commercial banks, but the term of such loans shall not exceed one year.

Article 24 — The People's Bank of China shall manage the State Treasury in accordance with the provisions of laws and administrative regulations.

Article 25 — The People's Bank of China may, on behalf of the financial department of the State Council, issue government bonds to financial institutions and organize the redemption thereof.

Article 26 — The People's Bank of China may, as needed, open accounts for banking financial institutions, but shall not overdraw the accounts of banking financial institutions.

Article 27 — The People's Bank of China shall organize or assist in organizing the clearing systems among banking financial institutions, coordinate clearing matters among banking financial institutions, and provide clearing services. Specific measures shall be formulated by the People's Bank of China.

Article 28 — The People's Bank of China may, in accordance with the needs of implementing monetary policy, decide on the amount, term, interest rate and method of special loans extended to specific non-bank financial institutions as prescribed by the State Council.

Article 29 — The People's Bank of China shall not provide overdraft facilities for the government, nor directly subscribe to or underwrite government bonds or other government securities.

Article 30 — The People's Bank of China shall not extend loans to local governments, government departments at various levels, non-bank financial institutions, other units or individuals, except for special loans extended to specific non-bank financial institutions as prescribed by the State Council. The People's Bank of China shall not act as a financial guarantor for any unit or individual.

Chapter V — Financial Supervision and Administration

Article 31 — The People's Bank of China shall, in accordance with the law, monitor the financial market and carry out macro-prudential management of the financial market to prevent and resolve systemic financial risks.

Article 32 — The People's Bank of China shall have the power to conduct inspection, examination and supervision over the following acts of financial institutions and other units and individuals:

(1) Acts relating to the implementation of the deposit reserve system;

(2) Acts relating to dealings in special loans of the People's Bank of China;

(3) Acts relating to the implementation of the Renminbi management regulations;

(4) Acts relating to the implementation of the regulations on the inter-bank lending market and inter-bank bond market;

(5) Acts relating to the implementation of the foreign exchange control regulations;

(6) Acts relating to the implementation of the gold control regulations;

(7) Acts of acting as fiscal agent for the State Treasury;

(8) Acts relating to the implementation of the regulations on payment, clearing and settlement;

(9) Acts relating to the implementation of the anti-money laundering regulations;

(10) Other inspection and examination items authorized by the State Council.

Article 33 — The People's Bank of China may recommend that the financial regulatory authority under the State Council impose penalties on banking financial institutions that have payment difficulties and are likely to trigger financial risks, after examination and verification. The financial regulatory authority under the State Council shall take corresponding measures.

Article 34 — In order to maintain financial stability, the People's Bank of China may, with the approval of the State Council, exercise supervision, administration and control over financial institutions in special circumstances. The specific measures shall be formulated by the State Council.

Article 35 — The People's Bank of China shall, in accordance with the needs of its functions and responsibilities, require banking financial institutions to submit the necessary balance sheets, income statements and other financial accounting reports, statistical reports and information. The People's Bank of China shall be responsible for compiling and publishing aggregate statistics, and making unified arrangements for the administration of financial statistics.

Article 36 — The People's Bank of China shall establish a unified financial information system for the entire financial industry and shall be responsible for the unified administration of the financial information system.

Article 37 — The People's Bank of China shall guide and deploy financial institutions in anti-money laundering work, and shall be responsible for monitoring funds flows related to anti-money laundering.

Chapter VI — Financial Accounting

Article 38 — The People's Bank of China shall implement an independent financial budget management system. The budget of the People's Bank of China shall, after being examined and approved by the financial department of the State Council, be incorporated into the central budget and shall be subject to the budget implementation supervision of the financial department of the State Council.

Article 39 — The People's Bank of China shall, according to the proportions prescribed by the State Council, withdraw the general reserve fund from its profits in each year. The net profits of the People's Bank of China shall be turned over entirely to the central finance. Where the losses of the People's Bank of China are offset by the central finance, they shall not be offset by the issuance of currency.

Article 40 — The revenues and expenditures and the financial accounting matters of the People's Bank of China shall be subject to the audit supervision of the audit institution and the financial department under the State Council in accordance with the provisions of laws and administrative regulations.

Article 41 — The People's Bank of China shall, within three months after the end of each fiscal year, complete the preparation of its financial accounting report and annual report, publish them in accordance with relevant regulations, and submit the annual report to the State Council.

Chapter VII — Legal Liability

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Article 42 — Where a unit or individual counterfeits or alters Renminbi, or sells or purchases counterfeited or altered Renminbi, which constitutes a crime, criminal liability shall be investigated in accordance with the law; where the circumstances are minor and do not constitute a crime, the public security authority shall impose a detention of not more than 15 days and a fine of not more than 10,000 yuan.

Article 43 — Where a unit or individual purchases counterfeited or altered Renminbi or knowingly holds or uses counterfeited or altered Renminbi, which constitutes a crime, criminal liability shall be investigated in accordance with the law; where the circumstances are minor and do not constitute a crime, the public security authority shall impose a detention of not more than 15 days and a fine of not more than 10,000 yuan.

Article 44 — Where anyone, in printed materials or promotional materials, illegally uses the design of Renminbi, the People's Bank of China shall order the offender to make corrections, destroy the illegally used design, confiscate the illegal gains and impose a fine of not more than 50,000 yuan.

Article 45 — Where anyone prints or issues any type of securities in lieu of Renminbi for circulation in the market, the People's Bank of China shall order the offender to stop the illegal act and impose a fine of not more than 200,000 yuan on the offender.

Article 46 — Where any of the following acts, in violation of the provisions of this Law or other relevant laws or administrative regulations, is committed, the relevant laws or administrative regulations shall apply to impose penalties; where the relevant laws or administrative regulations have no provisions on penalties, the People's Bank of China shall, depending on the seriousness of the circumstances, give a warning, confiscate the illegal gains, and, where the amount of the illegal gains is 500,000 yuan or more, concurrently impose a fine of not less than one time but not more than five times the amount of the illegal gains; where there are no illegal gains or the illegal gains are less than 500,000 yuan, impose a fine of not less than 500,000 yuan but not more than two million yuan; where the circumstances are serious, the People's Bank of China may recommend that the relevant financial regulatory authority order the financial institution to suspend business for rectification or revoke its business license; and may impose sanctions on the directly responsible person in charge and other directly responsible persons in accordance with the law:

(1) Where a financial institution fails to implement the deposit reserve system or the base interest rates for the central bank in accordance with regulations;

(2) Where a financial institution fails to deposit reserve funds or the reserve for deposits in accordance with regulations;

(3) Where a financial institution refuses to submit financial accounting reports, statistical reports and information, or submits false or concealed financial accounting reports, statistical reports and information;

(4) Where a financial institution fails to open an account, or provide clearing services, in accordance with regulations.

Article 47 — Where the parties concerned object to the administrative penalties imposed, they may bring an administrative lawsuit in accordance with the Administrative Litigation Law of the People's Republic of China.

Article 48 — Where a staff member of the People's Bank of China commits any of the following acts, criminal liability shall be investigated in accordance with the law if the act constitutes a crime; if the act does not constitute a crime, administrative sanctions shall be imposed:

(1) Being negligent in supervision and administration, leading to serious consequences;

(2) Granting loans or providing guarantees to units or individuals in violation of regulations;

(3) Using State issuance funds without authorization;

(4) Divulging State secrets or the business secrets of financial institutions known in the course of duty;

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(5) Other acts of engaging in malpractice for personal gain, abusing powers or neglecting duties.

Article 49 — Any unit or individual that compels the People's Bank of China and its staff members to provide loans or guarantees in violation of the provisions of Article 30 of this Law shall bear legal liability for the losses caused; the directly responsible person in charge and other directly responsible persons shall be subject to administrative sanctions in accordance with the law; if the act constitutes a crime, criminal liability shall be investigated in accordance with the law.

Chapter VIII — Supplementary Provisions

Article 50 — The specific measures for the implementation of this Law shall be formulated by the State Council in accordance with the provisions of this Law.

Article 51 — The term "banking financial institutions" as used in this Law means commercial banks, urban credit cooperatives, rural credit cooperatives and other financial institutions that accept public deposits, as well as policy banks established within the territory of the People's Republic of China. The provisions of this Law on banking financial institutions shall apply to financial asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions established within the territory of the People's Republic of China, as well as those as prescribed by the People's Bank of China with the approval of the State Council.

Article 52 — The provisions of this Law regarding the supervision and administration of financial institutions shall not apply to insurance companies, securities companies, and other non-bank financial institutions that do not accept public deposits.

Article 53 — This Law shall come into force on the date of promulgation. The Regulations of the People's Republic of China on the People's Bank of China promulgated by the State Council on March 18, 1986 shall be abolished simultaneously.

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