Interim Regulations on the Boards of Supervisors of Key State-Owned Financial Institutions

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

Adopted at the 25th Executive Meeting of the State Council on January 10, 2000; promulgated by Decree No. 282 of the State Council of the People's Republic of China on March 15, 2000; effective as of the date of promulgation.

Article 1 — These Regulations are formulated in accordance with the Commercial Banking Law of the People's Republic of China, the Insurance Law of the People's Republic of China and other relevant laws, for the purpose of improving the supervisory mechanism for key State-owned financial institutions and strengthening the supervision of key State-owned financial institutions.

Article 2 — For the purposes of these Regulations, "key State-owned financial institutions" means the State-owned policy banks, commercial banks, financial asset management companies, securities companies and insurance companies to which the State Council dispatches boards of supervisors (hereinafter referred to as "State-owned financial institutions").

The list of State-owned financial institutions to which the State Council dispatches boards of supervisors shall be proposed by the supervisory board administration authority of State-owned financial institutions (hereinafter referred to as the "supervisory board administration authority") and reported to the State Council for decision.

Article 3 — The boards of supervisors of State-owned financial institutions (hereinafter referred to as "boards of supervisors") are dispatched by the State Council and are responsible to the State Council, and shall, on behalf of the State, supervise the asset quality and the preservation and appreciation of State-owned assets of State-owned financial institutions.

Article 4 — The day-to-day administration of the boards of supervisors shall be the responsibility of the supervisory board administration authority.

Article 5 — The boards of supervisors shall take financial supervision as their core and, in accordance with the relevant laws, administrative regulations and the relevant provisions of the Ministry of Finance, supervise the financial activities of State-owned financial institutions and the business management conduct of directors, presidents (managers) and other principal persons in charge, so as to ensure that State-owned assets and their rights and interests are not infringed.

The boards of supervisors and the State-owned financial institutions are in a relationship of supervisor and supervised; the boards of supervisors shall not participate in, nor interfere with, the business decision-making and business management activities of State-owned financial institutions.

Article 6 — The boards of supervisors shall perform the following duties:

(1) inspecting the implementation by State-owned financial institutions of the relevant State laws, administrative regulations, rules and systems on finance and the economy;

(2) inspecting the finances of State-owned financial institutions, consulting their financial and accounting materials and other materials relating to their business management activities, and verifying the authenticity and legality of their financial reports and capital operation reports;

(3) inspecting the operating efficiency, profit distribution, preservation and appreciation of State-owned assets, and capital operation of State-owned financial institutions;

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(4) inspecting the business conduct of the directors, presidents (managers) and other principal persons in charge of State-owned financial institutions, appraising their business management performance, and putting forward proposals for reward, punishment, appointment and removal.

Article 7 — The boards of supervisors shall generally conduct two regular inspections of a State-owned financial institution each year, and may, as actually needed, conduct special inspections of a State-owned financial institution on a non-regular basis.

Article 8 — In carrying out supervision and inspection, the boards of supervisors may adopt the following methods:

(1) listening to reports by the principal persons in charge of a State-owned financial institution on its financial and capital conditions and its business management, and convening meetings at the State-owned financial institution on relevant supervision and inspection matters;

(2) consulting the financial reports, accounting vouchers, accounting books and other financial and accounting materials of the State-owned financial institution, as well as other materials relating to its business management activities;

(3) verifying the financial and capital conditions of the State-owned financial institution, learning about the situation from and listening to the opinions of its staff and workers, and, when necessary, requiring the principal persons in charge of the State-owned financial institution to give explanations;

(4) making inquiries of the finance, industry and commerce, taxation, auditing and financial supervision departments and other relevant departments to learn about the financial conditions and business management of the State-owned financial institution.

The chairman of the board of supervisors may, as needed for supervision and inspection, attend, or appoint other members of the board of supervisors to attend, meetings of the board of directors and other relevant meetings of the State-owned financial institution.

Article 9 — The boards of supervisors shall guide the work of the internal supervision departments, such as internal auditing, inspection and supervision, of the State-owned financial institution, and the internal supervision departments of the State-owned financial institution shall assist the boards of supervisors in performing their supervision and inspection duties.

Article 10 — The board of supervisors shall promptly prepare an inspection report after each inspection of a State-owned financial institution.

The inspection report shall include: an analysis of the finances and capital, and an appraisal of business management; an appraisal of the business management performance of the principal persons in charge, and proposals for reward, punishment, appointment and removal; proposals for handling existing problems; and other matters required by the State Council to be reported or that the board of supervisors considers necessary to report.

The board of supervisors shall not disclose to the State-owned financial institution the contents of the inspection report referred to in the preceding paragraph.

Article 11 — The inspection report shall be signed by the chairman of the board of supervisors after being reviewed by the members of the board of supervisors and after the opinions of the relevant departments have been solicited, and shall be reported to the State Council through the supervisory board administration authority.

Where a member of the board of supervisors holds a principled dissenting opinion on the inspection report, the opinion shall be stated in the inspection report.

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Article 12 — Where, in the course of supervision and inspection, the board of supervisors discovers that the business conduct of a State-owned financial institution is likely to endanger financial safety, cause the loss of State-owned assets or infringe upon the rights and interests of the owners of State-owned assets, or discovers other emergency situations that the board of supervisors considers should be reported immediately, it shall promptly submit a special report to the supervisory board administration authority, or may report directly to the State Council.

Article 13 — A State-owned financial institution shall regularly and truthfully submit financial reports and capital operation reports to the board of supervisors, and shall promptly report major business activities, and shall not refuse, conceal or falsely report.

Article 14 — The board of supervisors may, based on the results of its supervision and inspection of a State-owned financial institution, propose that the State Council instruct the National Audit Office, the Ministry of Finance, the People's Bank of China, the China Securities Regulatory Commission and the China Insurance Regulatory Commission to audit or inspect the State-owned financial institution in accordance with law within their respective functions and powers.

The board of supervisors shall strengthen its contacts with the Ministry of Finance, the People's Bank of China, the China Securities Regulatory Commission and the China Insurance Regulatory Commission, and shall notify each other of relevant information.

Article 15 — A board of supervisors shall be composed of one chairman and several supervisors.

Supervisors are divided into full-time supervisors and part-time supervisors: supervisors selected and appointed from the relevant departments and units are full-time; supervisors serving as representatives dispatched by the Ministry of Finance, the People's Bank of China, the China Securities Regulatory Commission and the China Insurance Regulatory Commission in the board of supervisors, supervisors serving as experts of certified professional accounting firms engaged by the supervisory board administration authority, and supervisors serving as representatives of the staff and workers of the State-owned financial institution are part-time.

The board of supervisors may engage necessary working personnel.

Article 16 — The candidate for chairman of the board of supervisors shall be determined in accordance with the prescribed procedures and appointed by the State Council. The chairman of the board of supervisors shall be served by a State functionary at the vice-ministerial level, on a full-time basis, and shall generally be under the age of 60.

Full-time supervisors shall be appointed by the supervisory board administration authority. Full-time supervisors shall be served by State functionaries at the department (bureau) or division level, and shall generally be under the age of 55.

The term of office of members of the board of supervisors shall be three years, during which the chairman of the board of supervisors, full-time supervisors and dispatched supervisors shall not serve consecutive terms on the board of supervisors of the same State-owned financial institution.

Article 17 — The chairman of the board of supervisors shall possess a relatively high level of policy awareness, adhere to principle, be clean and self-disciplined, and be familiar with financial or economic work.

The chairman of the board of supervisors shall perform the following duties:

(1) convening and chairing meetings of the board of supervisors;

(2) being responsible for the day-to-day work of the board of supervisors;

(3) examining, approving and signing the reports and other principal documents of the board of supervisors;

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(4) other duties that should be performed by the chairman of the board of supervisors.

Article 18 — Supervisors shall meet the following requirements:

(1) being familiar with and able to implement the relevant State laws, administrative regulations, rules and systems on finance and the economy;

(2) possessing professional knowledge in finance, finance, auditing or macroeconomics, and being relatively familiar with the business management of financial institutions;

(3) adhering to principle, being clean and self-disciplined, and being devoted to duty;

(4) possessing a relatively strong ability of comprehensive analysis and judgment, and the ability to work independently.

Article 19 — The chairman of the board of supervisors, full-time supervisors, dispatched supervisors and expert supervisors shall observe the recusal principle, and shall not hold office on the board of supervisors of a State-owned financial institution in which they once worked, or in which their close relatives hold senior management positions.

Article 20 — The expenses required for the supervision and inspection work of the boards of supervisors shall be appropriated from State finances and uniformly charged to the account of the supervisory board administration authority.

Article 21 — Members of the boards of supervisors shall not accept any gift from a State-owned financial institution, shall not participate in banquets, entertainment, tourism, visits abroad or other activities arranged, organized or paid for by a State-owned financial institution, and shall not seek private benefits for themselves, their relatives or friends or others in a State-owned financial institution.

The chairman of the board of supervisors, full-time supervisors, dispatched supervisors and expert supervisors shall not accept any remuneration or welfare treatment from a State-owned financial institution, and shall not have any expense reimbursed by a State-owned financial institution.

Article 22 — Members of the boards of supervisors shall keep the contents of inspection reports confidential, and shall not disclose the commercial secrets of State-owned financial institutions.

Article 23 — Members of the boards of supervisors who achieve outstanding results in supervision and inspection work and make important contributions to safeguarding the interests of the State shall be rewarded.

Article 24 — Where a member of a board of supervisors commits any of the following acts, he or she shall be given an administrative sanction or disciplinary sanction in accordance with law; where the act constitutes a crime, criminal liability shall be pursued in accordance with law:

(1) concealing and failing to report major illegal or disciplinary problems of a State-owned financial institution, or being seriously derelict in duty;

(2) colluding with a State-owned financial institution to fabricate false reports;

(3) committing any of the acts listed in Articles 21 and 22 of these Regulations.

Article 25 — Where a State-owned financial institution commits any of the following acts, the leading personnel bearing direct responsibility and other directly responsible persons shall be given disciplinary sanctions in accordance with law, up to removal from office; where the act constitutes a crime, criminal liability shall be pursued in accordance with law:

(1) refusing or obstructing the lawful performance of duties by the board of supervisors;

(2) refusing or delaying without cause the provision of financial conditions, business management conditions and other relevant materials to the board of supervisors;

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(3) concealing or falsely reporting relevant materials;

(4) committing other acts that obstruct the supervision and inspection by the board of supervisors.

Article 26 — Where a State-owned financial institution discovers that a member of a board of supervisors has committed any of the acts listed in Articles 21 and 22 of these Regulations, it has the right to report the matter to the supervisory board administration authority, or may report directly to the State Council.

Article 27 — These Regulations shall enter into force as of the date of promulgation. The Interim Provisions on Boards of Supervisors of Wholly State-Owned Commercial Banks, approved by the State Council on October 20, 1997 and promulgated by the People's Bank of China on November 12, 1997, shall be repealed simultaneously.

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