

# Payments System in China: A Brief Overview

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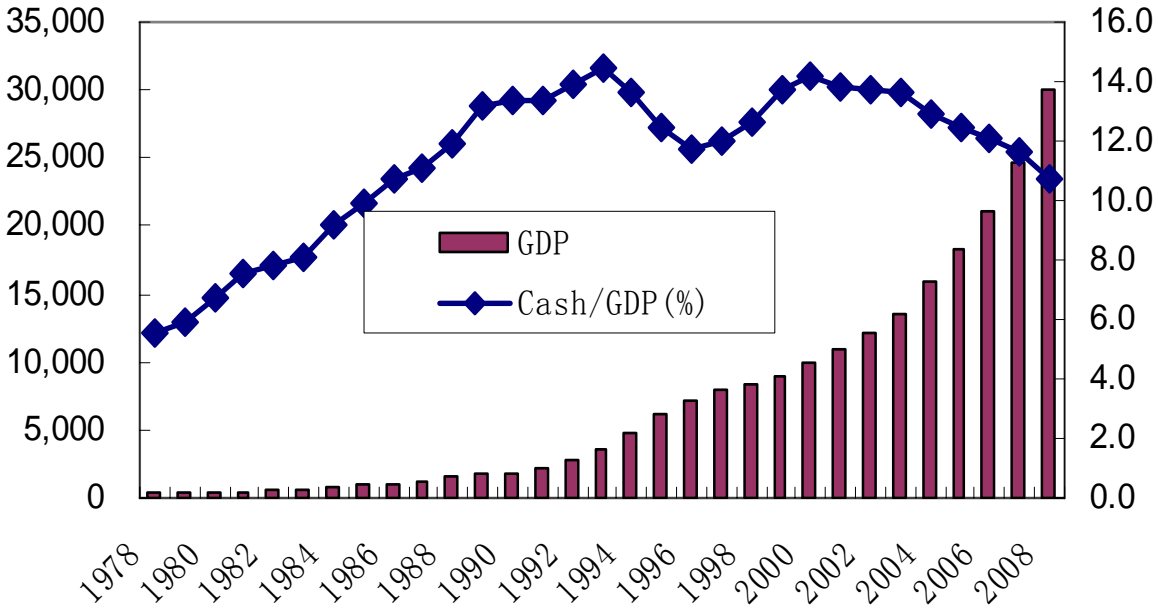
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- The Relative Decline in Cash Payment
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- Issues under Policy Discussion

### China: Cash/GDP Ratio, 1978-2008

Bil RMB yuan

%



# Milestones in Post-1978 Non-cash Payment System Development

- From the early 1980s the PBOC has promoted non-cash payment and settlement facilities esp. for inter-firm and interbank dealings.
- 1991 establishment of electronic interbank transfer scheme
- 1992 establishment of PBOC General Clearing Center
- 1994 establishment of China FX Trading Center
- 1995 passage of PRC Bills Act
- 1996 China becomes a member of BIS
- 1997 Experiment on Modernizing Payment System starts; establishment of data process center for banking card transactions; establishment of National Financial Clearing Center
- 1998 establishment of Central Government Bond Register and Clearing Corporation
- 2000 “Real-name” bank account regulation comes into effect
- 2001 China Securities Register and Clearing Corporation establishes
- 2002 China Union Pay Corporation establishes.
- 2005 PBOC starts to regulate on E-payments

# Regulatory Framework

- PBOC: responsible for general policy recommendation and decision on payment system affairs; also deals with anti-money laundering.
- SAFE: an FX arm of PBOC; involving in FX trading and related payments/settlement; highly concerned with international money flows.
- CBRC: a specialized regulatory body for all banking affairs; rather focuses on institutions and services.
- CSRC: a specialized regulatory body for all securities affairs, including related transactions and settlement.

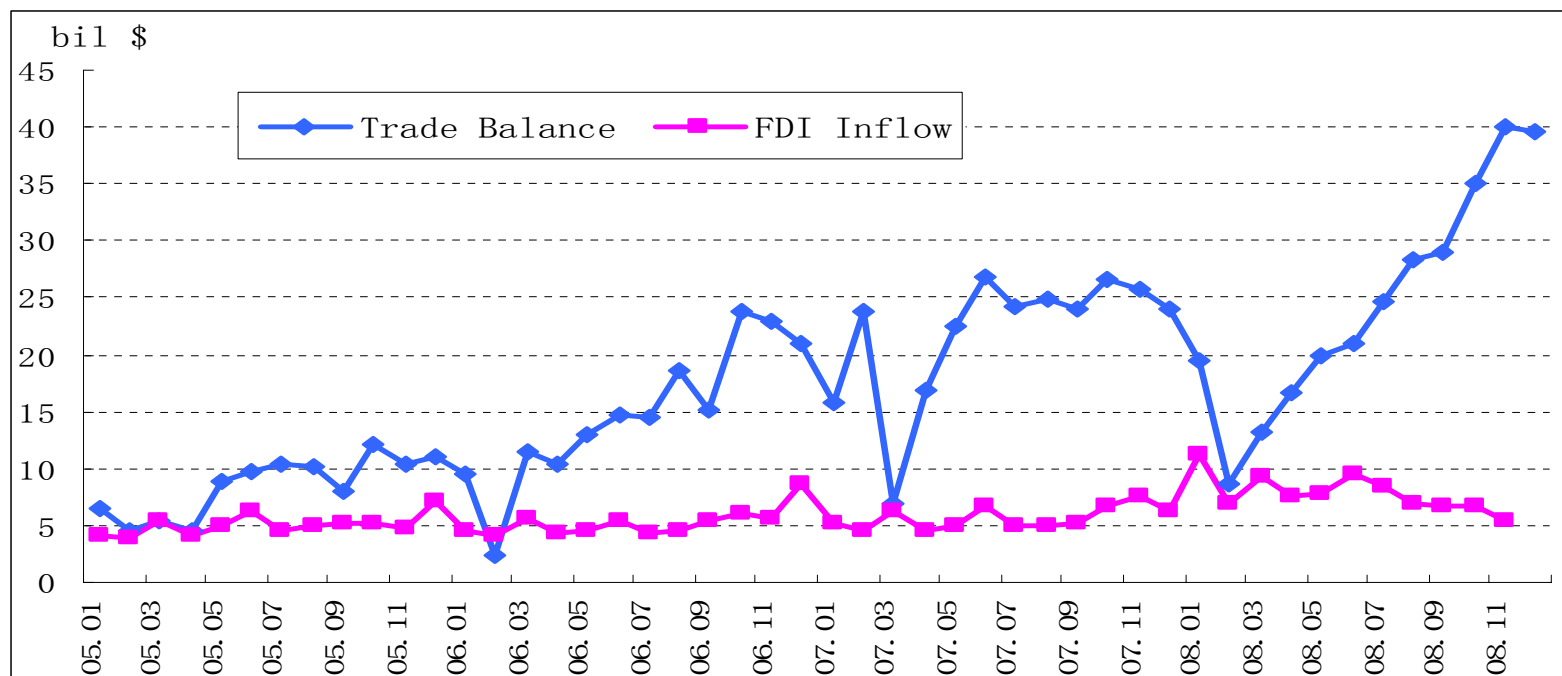
# Issues under Policy Debate and Discussion

- How to establish an integrated payments system?
- How to regulate over the internet payments (“E-money”)?
- How to regulate over foreign institutions’ participation in domestic settlement systems?
- How to improve the efficiency, quality, and coverage of payments-related data collection in general?

# Capital Flows in Recent China: A Sketch

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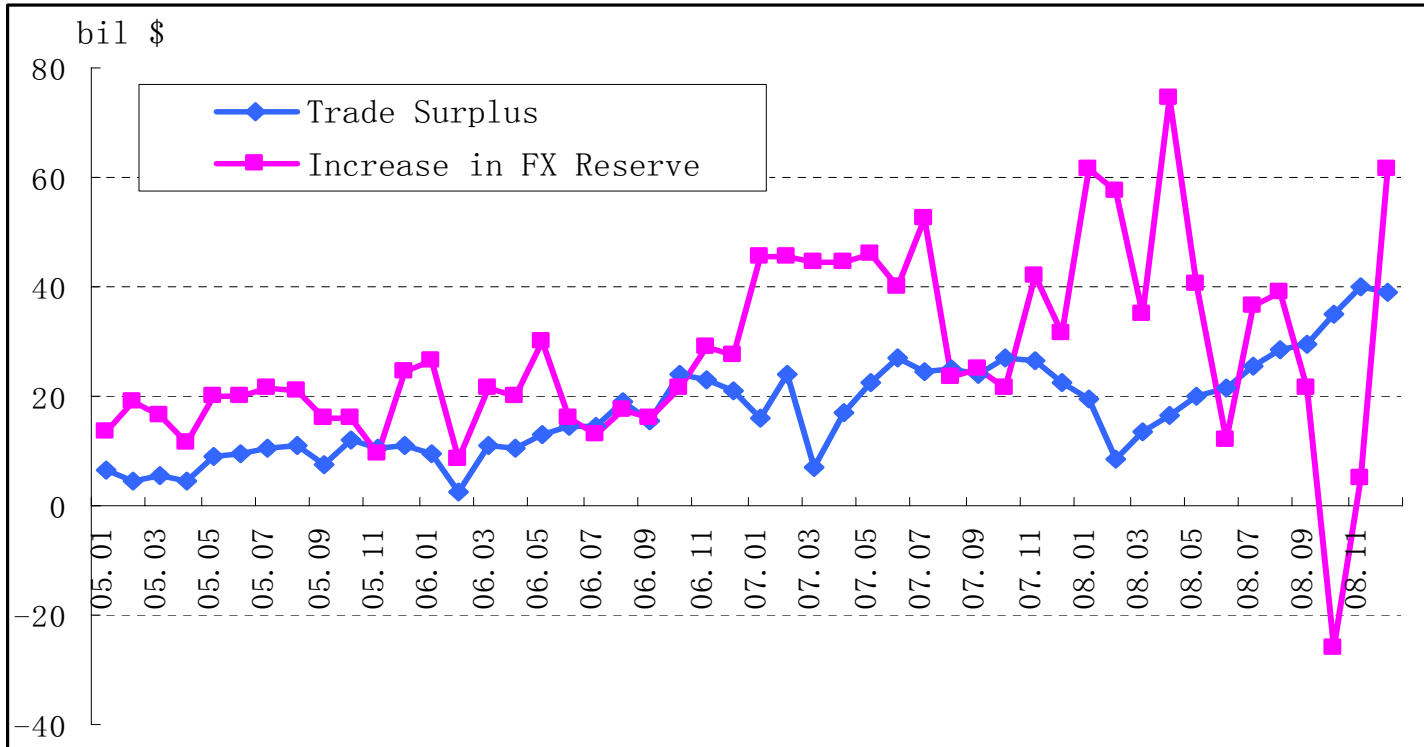
## Monthly Trade Surplus and FDI Inflow (\$ billion)



**Source:** Ministry of Commerce and People's Bank of China.



## Monthly Trade Surplus and Increase in FX Reserves (\$ billion)



Source: Chinese State Statistical Bureau

# Some Observations and Remarks

- China has continued to be a capital inflowing economy in the recent years (non-trade surpluses contribute to the increase in FX reserve considerably)
- Doubts are raised as to whether and how much capital inflows have been disguised into CA account (trade transactions).
- Rather weak surveillance over CA account (non-payment issue?)
- Considerable disparities exist between the bilateral trade data of China and her trading partners (U.S., HK, etc)
- Capital flows in certain “invisible” channels: blurred boundaries of FDI vs. non-FDI flows;
- On capital outflows: overinvoicing in imports; illegal transports of domestic foreign currencies; underreports in investment abroad.