


金融专业英语证书考试学习参考资料

REFERENCES FOR FINANCIAL ENGLISH
CERTIFICATE TEST (FECT)

**CHINA'S FINANCIAL
INDUSTRY**



金融专业英语证书考试委员会

前 言

为适应我国金融业改革开放的需要,为国家及各金融机构培养造就大批既懂国际金融业务、又能运用英语从事银行业务及管理的中、高层复合型人才,提高金融系统职工队伍整体素质,并使金融系统职工培训工作逐步与国际专业培训接轨,经中国人民银行总行和国家教委批准,建立《金融专业英语证书考试制度》。这是我国第一个国家级的行业性英语证书考试制度。它是使用英语对金融系统专业人员的专业知识尤其是国际金融方面的知识和能力进行综合性的全面测试,并对金融从业人员进行全面、综合、科学的评价,从而为扩大国际金融人才资源并建立人才库提供依据。

金融专业英语证书考试主要面向全国金融系统(包括合资、外资银行和非银行金融机构)。凡具备一定的金融专业知识和英语水平的金融从业人员,外资、合资企业和从事进出口贸易、财务管理的人员以及社会上有志从事金融工作的人士均可参加本考试。

本考试分为初级、中级、高级三种程度。初级:要求掌握一定金融专业英语词汇量,能够阅读英文金融函电、信件等,能运用英语标准、规范地操作银行、保险等柜台业务。中级:要求能阅读英语金融专业报刊、书籍,能运用英语处理业务函电、信件和进行业务操作及管理工作。高级:要求有深厚的金融、国际金融专业知识和较高的英语文字、听力、口语水平,能熟练地运用英语从事银行业务综合管理工作和理论研究工作。

为配合考试工作的开展,我们编写了一套参考材料。本资料是经过一年多调查研究,抽调全国金融系统的部分专家、学者、教授及从事国际金融业务的领导干部和业务骨干,按照初级证书考试大纲规定的所需知识和能力的标准,紧密结合实际业务工作,参考国际上最新业务实务和资料编辑而成的。希望本套资料能够为金融系统广大职工学习金融专业英语和参加证书考试提供帮助。

本套学习资料共分六部分,由编辑委员会集体讨论定稿,送有关专家审阅。六部分的题目分别是:总论、外汇、会计、国际结算、信贷、金融函电。共分三册出版,第一册:中国的金融业(总论、外汇、会计、信贷);第二册:国际结算;第三册:金融函电。随着金融业务的发展,本学习资料还将陆续出补充材料。

本学习资料是在时间紧、素材缺乏的条件下编写而成的,又是初次编写这种资料,由于我们水平有限,疏漏、不当、乃至错误之处在所难免,敬请专家、同行以及广大读者不吝赐教。

编 者

一九九五年七月

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CHINA'S FINANCIAL INDUSTRY

China Financial Survey

1. Retrospect of Financial Situation In 1994

The financial situation of China in 1994 was stable and healthy on the whole. The growth of currency in circulation was basically normal; the payment ability of banks was adequate, with various deposits growing persistently; loans increased considerably but still within the credit scale of the state plan with basically reasonable placement; the exchange rate was stable in the market; and state foreign exchange reserves increased rapidly. The outstanding problem was too steep price hike and serious inflation. The consumers' price index increased by xx percent and retailers' price index by xx percent and especially with the acceleration of money supply growth in the 3rd quarter, inflation went up. Analysis shows, there were the inevitable factors arising from the reform measures of treasury and tax, finance, foreign trade, foreign exchange, investment and prices as well as the insufficient supply of farm products and disorderly management in the commodity circulation sphere, but the fundamental factors were excessive growths of fixed asset investment and consumer's fund. These complicate conditions gave rise to new characteristics of the financial situation in 1994 not seen in many years since. Steady high inflation aroused the great attention of the Chinese government, which purposefully adopted ten important measures placing inflation curb as the primary task of the remaining months of 1994 and the year 1995. The People's Bank of China enforced the measures of contracting the loan ability of specialized banks by raising the loan interest rate of financial institutions, alleviated the impact of foreign exchange reserve growth on money supply, strengthened financial supervision and rectified the financial order and bank payment discipline, curbing effectively the rising tendency of inflation. As from the fourth quarter, inflation began to subside and the economic and financial performance tended to be stable.

Money

As compared with 1993, there was a great change in issuing channels of monetary base in 1994. The important factor for this change was the exchange rate reform with merging dual exchange rates, abolishing exchange retention of enterprises and adopting the exchange surrender system, which facilitated greatly export trade and capital influx in 1994, resulting to big growth of Renminbi position for state foreign exchange reserves on account of the rapid increase of the is-

suance of Renminbi by the People's Bank of China . This was the new problem confronted by the People's Bank of China in 1994 in monetary base management. This characteristic changed substantially the asset structure of the central bank. The proportion of the domestic credit afforded by the central bank and treasury overdraft decreased from xx percent and xx percent in 1993 to percent in 1994 respectively, while that of foreign exchange reserves grew by a big margin from xx percent in 1993 to xx percent in 1994.

Aside from the big margin growth of foreign exchange reserves, the people's Bank of China carried out the following new reforms in the monetary base management in 1994.

(1)The monetary base basically ceased to flow out through treasury overdraft.

(2)The direct relation of the monetary base with policy loans was severed. Aside from relative small amounts of loans to the Agricultural Development Bank of China, the People's Bank of China granted no loans to other policy banks.

(3)Branches of the People's Bank of China stopped direct lending to local financial institutions and refinancings were made only to the head offices of specialized banks by the People's Bank of China. Claims of loans of provincial branches of the People's Bank of China were delivered to the head office of the People's Bank of China.

(4)The People's Bank of China granted no new loans to non-bank financial institutions. Loans extended previously were all recalled upon maturity, without further extending, reducing thereby the balance of refinancing to non-bank financial institutions.

The growth margins of money supply M1 and M2 in 1994 were more than those in 1993. The yearly growth of M1 and M2 were xx percent and xx percent respectively. The changes of M1 and M2 coincided with that of the monetary base, smoothly increasing in the first half year, abruptly rising in the third quarter and gradually dropping in the fourth quarter. In contrast with the steep rises of M1 and M2, the growth of MO was smaller than that of the previous year. The yearly issuance of MO in 1994 was RMB xxx. x billion yuan, being RMB xx. x billion yuan less than the planned issuance. The increase of currency in circulation at the end of 1994 was xx. x percent or RMB xx. x billions yuan less than that of 1993. The issuing tendency of M0 had some similarity with those of M1 and M2 withdrawing in the first half year with the increase of over RMB 60 billion yuan less than that of the corresponding period of 1993, and accelerating currency issue from July, amounting to RMB xx. x billion yuan in July

to September and being RMB xx billion yuan more than that of the corresponding period of 1993.

There was a tangible change in the structure of money aggregates. At the end of 1994, the proportion of currency M0 against money supply M2 reduced by x. x percent to xx. x percent from xx. x percent at the end of 1993. (Table 1-2)

Table 1-2 Structural Changes of M0, M1, M2												percent
Month	1	2	3	4	5	6	7	8	9	10	11	12
M0/M1	19.4	17.6	15.9	15.5	14.9	15.0	14.6	14.5	14.9	14.9	15.2	15.7
M1/M2	47.7	46.7	46.2	46.6	46.6	47.3	45.7	45.8	45.5	45.3	45.4	45.5

The money supply and credit scale were still regarded as the two most important regulatory indicators by the People's Bank of China but owing to the change of foreign exchange management system, the Renminbi obtained by enterprises in surrendering foreign exchange became bank deposits enlarging thereby the volume of money supply M1 and M2. The money multiplier was xx in 1994, being practically the same as that in the previous year. Under this condition, excessive issuance of monetary base due to foreign exchange reserve increase inevitably expanded the money supply M2. This represented from one side a challenge to the current regulatory performance of the People's Bank of China.

Loans

There were following new characteristics of loan growth in 1994: The loan growth of different financial institutions varied greatly. As the state banks continued to exercise quota management of loans, their loan growth rates were lower than those of non-bank financial institutions and urban and rural credit cooperatives (Table 1-3)

Table 1-3 Comparison of Loan Growth Rates of Various Financial Institutions

percent		
Year	1993	1994
Financial institutions in total	23.8	22.0
State banks	22.4	19.5
Other financial institutions	29.8	32.5

The ratio of state specialized bank loans to the total loans of the country contin-

ued to reduce. The ratio of the outstanding loans of the Industrial and Commercial Bank of China, the Agricultural Bank of China, Bank of China and the People's Construction Bank of China to the total loans of all financial institutions was xx. x percent in 1994, being xx percent less than that in 1993, so that 1994 was the year of the biggest fall during recent years. With diversification of financial institutions, the monopoly positions of these four state speccialized banks were incessantly declining.

The ratio of newly increased loans of financial institutions to newly increased credit funds was lower than that in 1993. The ratio in 1994 was xx percent, while the same ratio in 1993 was over xx percent. The decrease of the ratio was mainly due to the inception of the foreign exchange surrender system, from which enterprises obtained more Renminbi funds at their disposal.

The placement of loans was basically reasonable. Among loans of state banks, the ratio of fixed asset loans mainly for key construction projects was xx percent and it increased by xx. x percent over 1993 and loans for procurement of farm and sideline products increased by xx percent over 1993, while industrial loans increased by xx. x percent mostly to industrial enterprises with good economic results.

Deposits

Various deposits of financial institutions continued to grow incessantly in 1994. At the ent of 1994, various deposits increased by xx. x percent of RMB xxxx. x billion yuan over the previous year, among which enterprise deposits with state banks increased by RMB xxx. x billion yuan, being RMB xxx. x billion yuan more than the increase of the previous year and nearly doubling the previous year-end balance. Aside from the increase of deposits derived from loans, surrender of foreign exchange due to large increase of export after the reform of foreign exchange system gave rise to enormous rise of deposits. Savings deposits of urban and rural residents maintained vigorous growth, increasing by RMB xxx. xx billion yuan in 1994, being RMB xxx. x billion yuan more than the increase of the previous year. The outstanding balance at the end of 1994 of urban and rural savings deposits increased by xx. x percent to RMB xxxx. x billion yuan. As residents' savings deposits came from the income of residents deducting consumption, the fact showed that residents' income promoted by a big margin in 1994.

Big scale increase of deposits improved the payment ability of banks. Standby payment reserve rate of banks was universally big. The gengeral standby payment reserve rate of state banks was xx. x percent at the end of 1994, the year of

the highest rate for many years since.

In general, the payment ability of banks was strong in 1994, and funds were relatively easy for enterprises; though circulating capital was still tight for a few enterprises. For this there were three reasons; the ratio of self-owned funds was too small for enterprises which relied on bank loans too much; the scale of capital construction was too big and the phenomenon of manipulation of funds by enterprises was common; and funds were tight in circulation for enterprises with bad economic results.

Inflation

The situation of inflation in China deteriorated in 1994. Among factors for this deterioration, structural adjustment of the price system for implementing a series of reform measures was weighty. According to the estimate of State Statistics Bureau, this factor accounted for more than xx percent. From a long perspective, these reform measures will exert positive effect transforming the economy into a market economy and reducing inflation in future. But the exacerbation of inflation in 1994 was fundamentally the accumulated result of aggregate demand exceeding aggregate supply in the past years, namely excessive growth of investment rate (total fixed asset investment/gross domestic product) exceeded xx percent for seven years in the period of 1984 to 1994, surpassing xx percent in 1993 and falling a little to xx percent in 1994. For consumption, personal money income grew much more quickly than the rise of labor productivity in recent years and the incessant increase of the ratio of household income to national income and the corresponding decrease of the ratio of treasury revenue. Urban and rural savings deposits as the residual purchasing power of residents stood at RMB xxxx. x billion yuan at the end of 1994. Owing to the rigidity of the mechanism of comparing with higher wages, wage expenditure mounted to a new level each year. Yearly increase of wage income of workers and staff amounted by xx percent in average in 1990 to 1993, with xx percent in 1993. Wage and other cash payment to individuals increased by xx. x percent in 1994 according to bank statistics only.

Financial system reform

1994 saw a series of financial reform measures with positive results.

The People's Bank of China achieved substantial progress in function transition; the People's Bank extended no loans to the non-financial sector and no financing to the treasury; the functions of the head office and branches of the People's Bank of China were clearly set so as to guarantee unification and author-

ity of the monetary policy; profit retention system of the head office and branches was substituted by budgetary system; measure of force of financial supervision was strengthened on the basis of division of business so as to quicken financial legislative formation.

The three policy banks, the State Development Bank of China, the Agricultural Development Bank of China and the Import and Export Bank of China, formally started business, preliminarily completing the severance of policy banking and commercial banking; the successful issuance of policy banking bonds played an active part in guaranteeing the supply of funds for state key construction projects and supporting financing of procurement of farm and sideline products was achieved successfully.

After policy banking business having been transferred, state specialized banks quickened their step to be transformed into commercial banks; the head offices of specialized banks promoted their centralized operational and unified fund dispatching ability, with the ceasing of quasi-entity behavior on the part of their branches; asset-liability ratio management scheme of these banks approved by the People's Bank of China was put in force, further strengthening risk management; sense of competition was intensified and there was a progress of branches and grass-root network units in improving operation and management and raising the quality of service.

Fundamental successes were achieved in foreign exchange system reform: realization of the merger of dual exchange rates, implementation of unitary, managed floating rate system on the basis of market demand and supply; successfully setting up bank settlement and surrender of foreign exchange system; abolishing the system of foreign exchange retention and turning over to the state; abolishing the mandatory plan of foreign receipts and payment establishing foreign exchange transaction market among banks; and recalling foreign exchange certificates to a close.

2. Outlook for 1995

The situation of monetary policy in 1995 will be still a little tight. The increase of money aggregates in 1995 is estimated to be due to time lag effect of the preceding year and also due to the effect of current year economic growth and price level. The growth rate of gross national product in 1995 is estimated to be percent, and price level will be drastically lowered. Under this situation, the increase of money aggregates will be as follows:

Currency Issue In case of no emergency events, currency issue Mo will be limited to the same range of the previous year according to the average growth

rates of M0 in 1992 to 1994. Growth of M1 and M2 at the current stage, given the growth rate of M0, the growth rate of M1 will depend on deposits of enterprises, which, together with time deposits will mainly depend on the growth of loans. According to the analysis of the reciprocal action of economic growth and loan growth in 1995, we assume, loan growth rate should not exceed 1994 level and the growth rate of enterprises demand deposits will also be equal to the 1994 level. In consideration of the introduction of commercial bills in 1995, the growth rate M1 will be xx percent to xx percent with the expansion of the discount scale and the relative decrease of foreign capital, and the growth rate of M2 should be around xx percent. To fulfill this task, we must employ various monetary policy instruments especially open market operation (both foreign exchange and Renminbi) as well as refinancing, rediscount, and interest rate to implement moderate tight monetary policy.

Main points of the monetary policy of the People's Bank of China in 1995 are:

To strictly control money issue and credit scale to stabilize money. The People's Bank of China aims to extend the macroeconomic supervision area to the entire social credit with the credit plan covering all financial institutions, strictly controlling fixed asset loans, enforcing asset-liability ratio management under credit scale for commercial banks, normalizing business discipline of financial institutions, insisting on the principle of operation and administration according to division of business, strengthening auditing supervision, and insisting on correcting law-violation activities, such as irregular lendings, unlawful capital-raising and over-quota lendings etc.

To improve monetary policy instruments and strictly control the growth of monetary base. The People's Bank of China shall further normalize and improve the management of reserve requirement system, meticulously defining the range of reserve requirement, adequately increasing liquidity reserves of financial institutions and giving full play to the leverage role of interest rate. To meet the needs of the market economy, the People's Bank of China shall effect a transition from credit loans as the main instrument gradually to rediscount and open market operation as the main instruments, so as to normalize the above-mentioned monetary policy instruments to control the creating channels of the monetary base.

To keep state foreign exchange reserves rationally in order to maintain the stability of exchange rates. Owing to the impact of rapid increase of the conversion cost of export proceeds and some international trade factors, the growth rate of export will increase steadily, though lower than the previous year; besides, being in the peak period of debt redemption, we should maintain reason-

able scale of foreign exchange reserves. Since China is still a developing country at present, while state foreign exchange reserves increased considerably though not too much in 1994, keeping foreign exchange reserves at US dollars xx billion in 1995 will be reasonable, according to the international practice for maintaining reserves for three months import payments. But in consideration of such factors as the return of Hongking and the high liquidity and speculation of the international capital market, out foreign exchange reserves should be further increased somewhat. In 1995, the exchange rate of Renminbi should still be kept stable and exchange settlement and surrender system should be further improved.

To optimize loan placement and liquidity of fund stock. The credit policy of treating discriminately with priority given to well-performed loans to key projects shall be insisted to enforce. Priority shall be given to supporting agricultural production, state key construction projects and reform of modern enterprise system. Among the newly increased working capital loans, borrowing units shall be forbidden to use funds in operating real estates, stocks and other securities, or to manipulate working capital for fixed asset investment and shall be repuired to make fund stock liquid and to urge by all means enterprises to limit production, hold down inventories, promote marketing, liquidate debts in arrears, accelerate the tunrover of funds and increase results of using credit funds.

To coordinate macroeconomic posicies. The monetary policy is not the only macroeconomic regulation policy. In the macroeconomic performance, there is great limitation for the monetary policy. Other macroeconomic policies such as the fiscal policy, income policy, investment policy and industrial policy all exert effects on the monetary policy and the money supply. Therefore, in implementing the monetary policy, it is advisable to coordinate all macroeconomic policies, by acting jointly, working in close cooperation, rectifying comprehensively and regulating in concert.

Further deepening financial system reform in 1995 in an attempt to make a new breakthrough.

On January 1, 1995, the central bank raised the loan interest rate of financial institutions without setting directly the loan rate of commercial banks to enterprises as step towards relaxation of interest rate control, to pave the way to adopt open market operation with treasury bonds as instruments. According to the new situation emerging in 1994, the People's Bank of China must look to coordinating relationships in three respects for the monetary policy reform in 1995: (1) to coordinate the relationship between Renminbi exchange rate target and money controlling target, so as to unify monitoring and operation of Renminbi and foreign currencies; (2) to coordinate the relationship between monetary base control together with state banks loan quota and money supply regulation so as

to gradually set up indirect regulation more completely; and (3) to coordinate the relationship between the monetary policy and other macroeconomic policies, such as fiscal policy, industrial policy and income policy.

There will be substantial progress in transition of state specialized banks into commercial banks in 1995. With the promulgation of the Law of the P. R. C. on the People's Bank of China, the key points in specialized bank reform are: to establish new incentive mechanism in personnel and wage distribution in the bank; to impose profit target and asset quality target and basically set up internal rectification structure in modern bank business and operation; to gradually institute performance evaluation target system according to the principle of the market economy by the state and to state commercial bank; to consolidate the organization structure and business scope of state commercial banks by insisting the principle of division of business so as to completely spin off affiliated nonfinancial companies, holding companies and investment enterprises from state commercial banks.

In 1995, we shall set out to organize urban cooperative banks on pilot basis and normalize new business scope, equity structure and operation mechanism of the existing urban credit cooperatives so that they will be true cooperative financial organizations.

We shall further improve various measures of foreign exchange system reform; to probe the way of voluntary exchange settlement of foreign invested enterprises and upon this basis to combine the exchange market of banks and exchange transaction centers; to further fulfill the recalling of former exchange positions so as to settle at an early date the problems left over by former foreign exchange management regulations accumulated for years so as to systemize effective regulations to be promulgated, to increase transparency and to make the foreign exchange administration system to conform with international practice; to prepare the establishment of international payments and receipts declaration system so as to consolidate debt management; to further improve exchange settlement and surrender system so as to develop state foreign exchange reserve management and operation system.

There will be a drastic reform of insurance system in 1995 by setting up property and life insurance separately, having regional insurance companies and special insurance companies established so as to facilitate the formation of orderly competition in the insurance market in China.

Central Bank

1. Status and Functions

The People's Bank of China is the central bank of the People's Republic of China. The People's Bank of China shall formulate and implement monetary policies and exercise supervision and control over the financial industry under the leadership of the State Council.

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

- (1) to formulate and implement monetary policies in accordance with law;
- (2) to issue Renminbi (RMB) and control its circulation;
- (3) to approve, supervise and administer financial institutions in accordance with regulations;
- (4) to supervise and control the financial market in accordance with regulations;
- (5) to promulgate ordinances and rules concerning financial administration and business;
- (6) to hold, administer and manage the state foreign exchange reserve and bullion reserve;
- (7) to act as fiscal agent for the State;
- (8) to maintain the normal operation of payment, clearing and settlement systems;
- (9) to be responsible for statistics, investigation, analysis and forecasting for the financial industry;
- (10) to engage in relevant international financial activities in the capacity of the central bank of China;
- (11) to perform other functions assigned by the State Council.

In order to implement monetary policies, the People's Bank of China may carry out financial business in accordance with the relevant provisions of law.

2. Legal Liabilities

If the People's Bank of China commits any of the following acts, the person directly in charge and other persons held directly responsible shall be subject to administrative sanctions; if the case constitutes a crime, they shall be investigated for criminal responsibilities in accordance with law:

- (1) to provide a loan in violation of the law;
- (2) to provide financial guarantee for an unit or individual;

(3) to use the currency issue fund without authorization.

Should any of the aforesaid acts result in a loss, the person directly in charge and other persons held directly responsible shall bear part of or all the liabilities for compensation.

Should a local government or any other administrative organ at any level, or a public organization, or an individual force the People's Bank of China and its staff into providing loans in violation of the provisions of Article 29 of this Law, the person directly in charge and other persons held directly responsible shall be subject to administrative sanctions in accordance with the law; should the case constitute a crime, they shall be investigated for criminal responsibilities in accordance with the law and shall bear part of or all the liabilities for compensation for any resultant losses.

Any staff of the People's Bank of China who divulges a state secret shall, if the case constitutes a crime, be investigated for criminal responsibilities, and if the case is not serious, he or she shall be subject to administrative sanctions in accordance with the law. Any staff of the People's Bank of China who commits embezzlements, corruption, malpractice for personal gains, abuse of power, neglect of duties shall, if the case constitutes a crime, be investigated for criminal responsibilities according to the law, and if the case is a minor one, shall be subject to administrative sanctions according to law.

3. Monetary Policy

The aim of monetary policies is to maintain the stability of the value of currency and thereby promote economic growth. The People's Bank of China shall formulate and implement monetary policies and exercise supervision and control over the financial industry under the leadership of the State Council. In order to implement monetary policies, the People's Bank of China may carry out financial business in accordance with the relevant provisions of Chapter IV of this law. The people's Bank of China shall report to the State Council for approval before implementation. Its decisions concerning the annual supply of banknotes, interest rate, foreign exchange rates and other major issues specified by the State Council. The People's Bank of China shall submit work reports to the Standing Committee of the National People's Congress on matters concerning monetary policies and its work of supervision and control over the financial industry. The People's Bank of China shall, under the leadership of the State Council, independently implement monetary policies, exercise its functions and carry on its operation according to law and be free from intervention by local governments, or other administrative organs at all levels, public organizations of individuals.