

MEMO# 35206

March 20, 2023

China Revamps its Financial Regulatory System

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TO: ICI Global Members

Global Regulated Funds Committee

Global Regulated Funds Committee - Asia SUBJECTS: International/Global RE: China
Revamps its Financial Regulatory System

On March 10, 2023, the first session of China's 14th National People's Congress approved a reform plan to reorganize Mainland China's financial regulatory bodies.[\[1\]](#) Under the plan, the authorities will create a new regulatory body, the National Financial Regulatory Administration (NFRA), to oversee all parts of the financial industry other than the securities and futures sectors. The NFRA will replace the China Banking and Insurance Regulatory Commission (CBIRC), while also absorbing the People's Bank of China's (PBOC) oversight of financial holding companies. Responsibilities for financial consumer protection, as well as investor protection, will be consolidated at the NFRA. Supervision of the securities and futures markets will remain the responsibility of the China Securities Regulatory Commission (CSRC), which also is being elevated under the reforms, and will be at the same level as the NFRA within the State Council's structure.

The Communist Party of China (CPC) Central Committee and the State Council subsequently adopted the reorganization plan on March 16, 2023, and at the same time announced the creation of two new financial commissions under the CPC Central Committee, the Central Financial Commission and the Central Financial Work Commission.[\[2\]](#) The new Central Financial Commission will replace the State Council's existing coordinating body, the Financial Stability and Development Committee (FSDC). Meanwhile, the Central Financial Work Commission will be responsible for coordinating Party-related work in the financial sector.

Taken together, these changes will be the biggest overhaul to China's financial regulatory system since March 2018, when China's banking and insurance regulators were integrated as the CBIRC. Based on ICI Global's discussions with CSRC officials and other public statements, we understand that this series of reforms intends to strengthen regulatory oversight of financial institutions, as well as improve policy coordination across financial regulators. We do not currently expect significant impacts on regulation of the securities sector.

While the authorities have indicated they expect to complete the reforms at the national level by the end of 2023, they have not yet announced further implementation and transition details. ICI Global will continue to track the developments and update on any potential implications for global asset managers.

ADDITIONAL DETAILS

New "One Bank, One Bureau, One Commission" Model

Since 2018, China's financial sector has been overseen by a combination of the PBOC, the CBIRC, and the CSRC, in what is known as the "One Bank, Two Commissions" model. Following the reform and with the creation of a new bureau, the NFRA, the model will move to "One Bank, One Bureau, One Commission," as the NFRA will be responsible for the supervision of all financial sectors except the securities and futures sectors. The CSRC will remain to be the regulatory body for the securities and futures sectors. The CBIRC will cease to exist as the NFRA will take over the CBIRC's supervision responsibilities. The PBOC will now focus on monetary policies and macroprudential supervision, as the NFRA will take over the PBOC's oversight of financial holding companies, such as Ant Group.

Currently, the PBOC, the CBIRC, and the CSRC have shared the responsibilities of financial consumer protection and investor protection, and each of them has established departments taking the lead on the related work. The reform will consolidate these responsibilities at the NFRA. While the financial consumer protection measures and frameworks adopted by the PBOC and CBIRC focus more on banking, insurance, and payment institutions, it is still unclear how the CSRC's investor protection measures will be integrated.

Strengthening the CSRC's Supervisory Power and Functions

The CSRC will become an "administrative agency" under the State Council,[\[3\]](#) to be promoted from its current tier as a "public institution" directly under the State Council.[\[4\]](#) The CSRC will be therefore at the same tier as the new NFRA. This promotion will broaden the administrative tools available to the CSRC when performing its supervisory duties, for example, in issuing orders and directives.

In addition, the CSRC's mandate will be expanded to include the approval of enterprise bonds[\[5\]](#) issuance. At present, this responsibility is the domain of the National Development and Reform Commission (NDRC), while the CSRC is only in charge of corporate bonds[\[6\]](#) issuance approval. Short- and medium-term notes and other non-financial corporate debt instruments will remain regulated by the National Association of Financial Market Institutional Investors (NAFMII). Transferring the approval authority on enterprise bonds issuance to the CSRC will be a step to unify the supervision over corporate and enterprise bonds.

New Financial Commissions under CPC Central Committee

A new Central Financial Commission will be set up under the CPC Central Committee. The authorities have indicated that the Central Financial Commission will serve as an institution to coordinate policy-related decision-making, and will be responsible for high-level policy design and implementation regarding financial stability and financial sector development, as well as reviewing major policies for the financial sector. It will take over the work of the State Council's FSDC, which had been overseen by the retired Vice Premier Liu He.

The CPC Central Committee will also set up a Central Financial Work Commission, which will be tasked with the responsibility of guiding Party-related work in the financial sector. The authorities have not provided details on the work plan or any specific focus areas for this commission.

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Notes

[1] See State Council Institutional Reform Plan, dated March 10, 2023, available (in Chinese only) at http://www.gov.cn/xinwen/2023-03/11/content_5745977.htm.

[2] See China releases plan on reforming Party and state institutions, dated March 16, 2023, available at http://english.www.gov.cn/policies/latestreleases/202303/16/content_WS6413be82c6d0f528699db58e.html.

[3] Administrative agencies under the State Council include, among others, the State Administrative of Taxation and the State Administration for Market Regulation. Constituent ministries and commissions of the State Council (including the PBOC) and special agencies directly under the State Council are the higher tiers within the State Council structure.

[4] Public institutions directly under the State Council, among others, include Xinhua News Agency and Development Research Center of the State Council.

[5] Enterprise bonds are issued by large institutions affiliated with departments of the central government, or state-owned enterprises (SOEs). These bonds typically fund government-approved projects or government investments.

[6] Corporate bonds are issued by corporations or limited corporations. These bonds usually focus on financing business operations.