

**Regulatory  
Developments**

**PBC reorganize inter-bank accounts**

The Central bank recently issued “Notice on Strengthening the Management of RMB Interbank Settlement Accounts of Banking Financial Institutions” (No. 178 Document). The Notice divides interbank settlement accounts into two types – for settlement, and for investment and financing, and specifies that sub-branches and subordinated institutions of depositing banks are not allowed to open investment and financing interbank settlement accounts, or open interbank settlement accounts in other places. Some market participants believe that the significance of “No. 178 Document” lies in the fact that it establishes a unified inter-bank account opening and management system and streamlines business processes.

[Media News](#) (Currently Only Available in Chinese)

**CBRC adjusts LDR calculation formula**

China Banking Regulatory Commission (CBRC) recently announced the adjustment of loan-to-deposit ratio (LDR) calculation formula effective as of July 1. RMB business of commercial banks will still be subject to LDR supervision and assessment, while local and foreign currency business in total and foreign currency business will be subject to monitoring only.

In the numerator (the loan side) of the LDR formula, six items will be deducted, including agriculture refinancing, SME refinancing, as well as financial bonds issued to support “Agriculture, Countryside and Farmers”. In the denominator (the deposit side) of the LDR formula, two items are added: large negotiable certificates of deposit issued by banks to enterprises and individuals, and 1-year or above net deposits absorbed by foreign-funded banks from their overseas parent banks.

[Media News](#) (Currently Only Available in Chinese)

**PBC signed a Memorandum of Understanding with Bank of Korea on RMB Clearing Arrangements**

On July 3, 2014, the People’s Bank of China and Bank of Korea signed a MOU on Establishing RMB Clearing Arrangements in Seoul. Afterwards, a RMB clearing bank will be designated by the PBC. The establishment of RMB clearing arrangements in Seoul will promote the use of RMB in cross-border transactions by enterprises and financial institutions in China and Korea, and further facilitate bilateral trade and

investment liberalization.

[PBC News](#) (English)

**Macro & Financial  
Market News**

**Declines of PPI shrink for three months, giving out positive signals**

According to data recently published by National Bureau of Statistics, China's CPI in June fell 0.1% month-on-month and rose 2.3% year-on-year; PPI decreased 0.2% month-on-month, dropped 1.1% year-on-year. PPI declined for three consecutive months, giving out warming signs in the market under economic regulation and control. Compared with May, Growth of CPI in June was 0.2 percentage points lower, which is mainly due to carryover effect in June and new price increase factors decreased by 0.1 percentage points compared to May.

[Media News](#) (Currently Only Available in Chinese)

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