

**Regulatory  
Developments**

### **CIRC issues Compliance Regulations on Insurance Companies**

CIRC issued the Compliance Regulations on Insurance Companies, which will come into force on July 1, 2017. Main revisions of the regulations involve the following four aspects. First, clarifying the "three defense lines" compliance management framework. Business departments and branches of insurance companies, compliance management department and posts, and internal audit department constitute the three defense lines of compliance management and each performs their corresponding duties. Second, higher requirements are made on the setup and staffing of compliance management department. Specific requirements are also made on provincial-level branches of insurance companies' compliance management department, and compliance staffing, both full-time and part-time. Third, performance of compliance management duties is further enhanced. Insurance companies should clarify the duties of compliance management department, establish the compliance review and approval mechanism, build the compliance information system, and make compliance management more independent. Fourth, external supervision of compliance is strengthened. The Regulations specify the principles on compliance supervision, improve regulatory requirements, put in place measures targeting compliance violations, and demand local CIRC bureaus to intensify the regulation of the compliance work of local insurance companies.

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

### **CIRC issues Guidance on Setting Insurance Rate of Property Insurance Companies**

CIRC recently printed and distributed the Guidance on Setting Insurance Rate of Property Insurance Companies, which will come into force on February 1, 2017. Setting a reasonable, equitable and sufficient insurance rate is of great importance for protecting the consumers' legitimate rights and maintaining the industry's stable and sustainable development. The Guidance rolls out stipulations on three aspects. First, it provides regulatory descriptions on the composition of insurance rate and the principles on defining it, sets out the scope of application, definition of relevant concepts in rate definition and responsibility mechanism, and stipulates that rate definition should observe the principles of "justifiability, fairness and abundance".

Second, it specifies the procedures of rate definition, including preliminary preparations, definition, monitoring and adjustment. In the stage of preliminary preparations, the Guidance sets down requirements on the basic data for rate setting, including its source and content, mechanism of data acquisition and management, and data verification and correction. The Guidance particularly requested insurance companies to keep record of how they obtained the data, so as to verify the process of data acquisition. Third, it provides for the methods of supervision and management of rate setting, including requirements on and accountability for the actuary's report and work draft for rate setting, in order to support the supervision of this work.

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

### **CFETS RMB exchange rate index appreciated in the past three consecutive months**

#### **Statistics**

On December 30, 2016, the CFETS RMB exchange rate index closed at 94.83, gaining 0.16 percent from the end of November; the RMB exchange rate index based on the BIS basket and the RMB exchange rate index based on the SDR basket closed at 96.24 and 95.50 respectively, gaining 0.30% and gaining 0.25% from the end of November. All of the three RMB exchange rate indices experienced moderate appreciation from the end of November, the RMB exchange rates continued to remain generally stable against a basket of currencies.

In the past few months, three RMB exchange rates indices presented an overall trend of stably strengthening with mild fluctuation. CFETS RMB exchange rate index moved stably above 94, showing month-on-month appreciation in all of the three months since October, and reached new five-month high of 95.09 on December 23. Looking from the elasticity, the yearly volatility of the CFETS RMB exchange rate index in 2016 turned out to be 2.8%, lower than that of the USD/CNY central parity, which was 3.6%, indicating that the RMB exchange rates remain generally stable against a basket of currencies.

[PBC News](#) (Currently Available in English)

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