

**Regulatory
Developments**

PBC to Improve Averaging Method for RRR Assessment

In order to further improve the averaging method for reserve requirement ratio (RRR) assessment, enhance the flexibility of financial institutions' management of liquidity and mitigate fluctuations in the currency market, People's Bank of China (PBC) recently decided to change the assessment base from balance at the end of assessment period to the arithmetic average of end-of-day balance during the assessment period, starting from July 15, 2016. In addition, the RMB deposits placed in domestic corresponding banks by participating banks of overseas RMB business, which pay the RRR on a quarterly basis, should be adjusted to last quarter's arithmetic average of end-of-day RMB balance deposited by the overseas participating banks.

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The Subscription Starting Point of CD to Be Lowered

To promote the certificate of deposit (CD) business, broaden channels for individual financial asset investment and enhance commercial banks' active liability capability, PBC decided to revise Article 6 of *the Temporary Methods of Certificate of Deposit Management* (PBC Notice [2015] No.13). The original content of Article 6 was "for individual investors who subscribe for certificate of deposit, the minimal amount shall be no less than 300,000 RMB ", this Article was revised into "for individual investors who subscribe for certificate of deposit, the minimal amount shall be no less than 200,000 RMB ". This announcement took effect as of June 6, 2016.

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RMB Exchange Rate Index Increases Slightly in May

Statistics

At the end of May 2016, the China Foreign Exchange Trade System (CFETS) RMB exchange rate index was 97.15, up by 0.03% when compared to the number of the end of April. The RMB exchange rate index in reference to BIS and SDR currency baskets was 98.44 and 96.21 respectively with an increase of 0.39% and decrease of 0.86% from the end of April. Of the three RMB exchange indexes two showed ups and one down, indicating that RMB remained basically stable against the basket of currencies. As there have been growing expectations for an interest rate raise by U.S. Federal Reserve since May, USD index began to rise instead of further declining,

and the central parity rate of RMB against USD has fallen while USD keeps appreciating against other currencies.

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