

**Regulatory
Developments**

CBRC Releases Rules on the calculation of derivative counterparty's asset with default risk

The Rules made three new requirements. First, it clarifies the three levels of risk exposure calculation: netting portfolio, asset category and offset portfolio. Commercial banks should calculate risk exposure level by level according to specific levels and portfolios. Second, it specifies the components of counterparty credit risk exposure. According to the Rules, exposure at default consists of two parts: Replacement Cost (RC) and Potential Future Exposure (PFE). The former refers to the market value of derivatives at the time of default and is used to estimate the direct default losses, and the latter refers to the bigger risk exposure that may arise from the future price fluctuation of the derivative. Third, it widens the scope and category of risk parameters. The Notice adds the risk factors of various derivatives. Regarding RC, variables such as " Supplementary collaterals" and "increasing margin trigger value" are introduced to reflect the differentiated treatment of derivative risk exposure given different margin arrangements. Regarding PFE, the Notice specifies how to use and determine parameters such as SF, delta, correlation coefficient and MF.

[CBRC News](#)(Currently Available in Chinese)

Statistics

PBC Releases Financial Statistics for 2017

M2 and M1 increased by 8.2% and 11.8%, respectively; all-year Renminbi loan increased by RMB13.53 trillion and foreign currency loan increased by USD52.2 billion; all-year Renminbi deposit increased by RMB13.51 trillion and foreign currency deposit increased by USD77.9 billion. In December, the weighted average interest rate of interbank lending in the interbank Renminbi market was 2.91% and that of pledged bond repo was 3.11%; balance of national foreign exchange reserve stood at USD3.14 trillion; RMB settlement for cross-border trade totaled RMB4.36 trillion and that for direct investment was RMB1.64 trillion.

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

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