

**Regulatory
Developments**

PBC Decides to Conduct Targeted Reserve Requirement Ratio Cuts and Lower Benchmark Loan and Deposit Interest Rates

The PBC has decided to provide targeted reserve requirement ratio (RRR) cuts for selected financial institutions as of June 28, 2015, in an effort to step up support for the development of the real economy and promote structural adjustment. First, the RRR will be lowered by 0.5 percentage points for city commercial banks and non-county-level rural commercial banks that have reached the targeted RRR reduction standard in terms of the share of loans to the agricultural sector, rural areas and farmers in total lending. Second, a reduction of 0.5 percentage points will be applied to the RRR of large state-owned commercial banks, joint-stock commercial banks and foreign-funded banks that have reached the targeted RRR reduction standards in lending to the agricultural sector, rural areas and farmers, or to micro and small enterprises. Third, the RRR will be reduced by 3 percentage points for finance companies to further motivate them to do their part in increasing the fund use efficiency of enterprises.

At the same time, to further reduce financing costs for enterprises, the PBC has decided to cut RMB benchmark loan and deposit interest rates for financial institutions as of June 28, 2015. The one-year benchmark loan interest rate and deposit interest rate will both be lowered by 0.25 percentage points, to 4.85 percent and 2 percent, respectively. Adjustments are made correspondingly to benchmark interest rates on deposits and loans of other maturities, and to deposit and loan interest rates on personal housing provident fund. ([PBC](#))

Fresh Progress in China-Hungary Bilateral Financial Cooperation

On 27 June 2015, the PBC and the Magyar Nemzeti Bank (MNB, the Central Bank of Hungary) signed a Memorandum of Understanding on the Establishment of RMB Clearing Arrangements in Hungary and the Agency Agreement for the PBC to Manage the MNB's Investment on China's Inter-bank Bond Market. On the same day, the two parties also agreed to include Hungary in the pilot RMB qualified foreign institutional investment program with an investment quota of 50 billion yuan.

The above-mentioned arrangements represent fresh steps in the China-Hungary financial cooperation and will make it easier for companies and financial institutions of the two countries to use RMB in cross-border transactions, and facilitate bilateral trade and investment activities. ([PBC](#))

Statistics

SAFE announces QFII, QDII and RQFII investment quota approval status

According to the latest data announced on June 30 by the State Administration of Foreign Exchange (SAFE), a total of USD 75.54 billion of Qualified Foreign Institutional Investor (QFII) investment quota, a total of USD 89.99 billion of Domestic Institutional Investor (QDII) investment quota and a total of RMB 390.90 billion of RMB Qualified Foreign Institutional Investors (RQFII) investment quota had been approved by June 29. ([SAFE-QFII-QDII-RQFII](#))

SAFE announces China's International Investment Position in accordance with the latest international standards

The State Administration of Foreign Exchange (SAFE) on June 30 announced China's International Investment Position (IIP) by the end of the first quarter of 2015. Statistics show that China's external financial assets were 6.38 trillion U.S. dollars, external liabilities were 4.98 trillion U.S. dollars, and the net external financial assets were 1.4038 trillion U.S. dollars by the end of the first quarter of 2015. ([SAFE](#))

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