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LAW OF THE PEOPLE'S REPUBLIC OF CHINA ON THE PEOPLE'S BANK OF CHINA

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The National People's Congress

Order of the President of the People's Republic of China

No.46

The Law of the People's Republic of China on the People's Bank of China, adopted at the Third Session of the Eighth National People's Congress on March 18, 1995, is promulgated now, and shall enter into force on the date of its promulgation.

President of the People's Republic of China: Jiang Zemin

March 10, 1995

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Chapter I General Provisions

Article 1

This Law is formulated for the purpose of defining the status and functions of the People's Bank of

China, ensuring the correct formulation and implementation of the state monetary policy, establishing and perfecting macro control under a central bank and strengthening the supervision and control of the financial industry.

Article 2

The People's Bank of China is the central bank of the People's Republic of China.

The People's Bank of China shall formulate and implement monetary policies and exercise supervision and control over the financial industry under the leadership of the State Council.

Article 3

The aim of monetary policies is to maintain the stability of the value of currency and thereby promote economic growth.

Article 4

The People's Bank of China shall perform the following functions:

(1)

to formulate and implement monetary policies in accordance with the law;

(2)

to issue Renminbi(RMB) and control its circulation;

(3)

to approve, supervise and administer financial institutions in accordance with regulations;

(4)

to supervise and control the financial market in accordance with regulations;

(5)

to promulgate ordinances and rules concerning financial administration and business;

(6)

to hold, administer and manage the state foreign exchange reserve and bullion reserve;

(7)

to act as fiscal agent for the State;

(8)

to maintain the normal operation of payment, clearing and settlement systems;

(9)

to be responsible for statistics, investigation, analysis and forecasting for the financial industry;

(10)

to engage in relevant international financial activities in the capacity of the central bank of China; and

(11)

other functions assigned by the State Council.

In order to implement monetary policies, the People's Bank of China may carry out financial businesses in accordance with the relevant provisions of Chapter IV of this Law.

Article 5

The People's Bank of China shall report its decisions concerning the annual supply of banknotes, interest rates, foreign exchange rates and other major issues specified by the State Council to the State Council for approval before implementation.

The People's Bank of China shall immediately implement decisions on matters concerning monetary policies not specified in the preceding paragraph, and report them to the State Council for the record.

Article 6

The People's Bank of China shall submit work reports to the Standing Committee of the National People's Congress on matters concerning monetary policies and its work of supervision and control over the financial industry.

Article 7

The People's Bank of China shall, under the leadership of the State Council, independently implement monetary policies, exercise its functions and carry on its operation according to the law and be free from intervention by local governments, or other administrative organs at all levels, public organizations or individuals.

Article 8

The entire paid-up capital of the People's Bank of China is allocated by the State and owned solely by the State.

Chapter II Institutional Structure

Article 9

The People's Bank of China shall have a governor and a number of deputy governors.

The person for the Governor of the People's Bank of China shall, on the basis of nomination by the Premier of the State Council, be decided upon by the National People's Congress; and when the NPC is not in session, determined by the NPC Standing Committee and appointed or removed by the President of the People's Republic of China. The deputy governors of the People's Bank of China shall be appointed and removed by the Premier of the State Council.

Article 10

The People's Bank of China shall institute a system wherein the governor assumes the overall responsibility. The governor shall direct the work of the People's Bank of China. The deputy governors shall assist the governor in his or her work.

Article 11

The People's Bank of China shall establish a monetary policy committee whose functions, organization and working procedure shall be prescribed by the State Council and reported to the Standing Committee of the National People's Congress for the record.

Article 12

The People's Bank of China shall, as necessitated by the performance of its functions, establish its branches as its representative organs. The People's Bank of China shall exercise centralized and unified leadership and control over its branches.

The branches of the People's Bank of China shall, as authorized by the People's Bank of China, be responsible for the supervision and control over the financial operations and for handling relevant business operations in areas under their respective jurisdiction.

Article 13

The governor, deputy governors and other staff of the People's Bank of China shall be diligent in carrying out their functions, refrain from abuse of power or malpractice for private interests or holding posts concurrently in any other financial institutions, enterprises or foundations.

Article 14

The governor, deputy governors and other staff of the People's Bank of China shall keep State secrets in accordance with the law and be obligated to keep the secrets of the financial institutions and the clients under their supervision and control.

Chapter III Renminbi

Article 15

The legal tender of the People's Republic of China is Renminbi(RMB). The Renminbi shall be used for repaying all public or private debts according to its face value within the territory of the People's Republic of China, which may not be rejected by any organization or individual.

Article 16

The basic unit of Renminbi is the yuan and the units of fractional currency of Renminbi are the jiao and the fen.

Article 17

Renminbi shall be printed, minted and issued solely by the People's Bank of China.

The People's Bank of China shall make public announcement of the date, face value, designs, patterns and specifications of a new RMB issue.

Article 18

Any counterfeiting or altering of Renminbi is prohibited. Selling or buying counterfeit or altered Renminbi is prohibited. Transportation, possession or use of counterfeit or altered Renminbi is prohibited. It is illegal to destroy Renminbi intentionally. Illegal use of the image of Renminbi on propaganda material, publications and other commodities is prohibited.

Article 19

No organization or individual shall be allowed to print or issue coupons as substitutes of Renminbi for circulation.

Article 20

Damaged or soiled Renminbi notes shall be exchanged in accordance with the regulations of the People's Bank of China and the People's Bank of China shall be responsible for collecting and destroying the aforesaid Renminbi.

Article 21

The People's Bank of China shall establish a Renminbi issue treasury and its branches shall establish subsidiary treasury. The subsidiary treasury in allocating Renminbi issue fund shall act on the order of its superior treasury. No organization or individual shall use the issue fund in violation of the relevant regulations.

Chapter IV Business Operations

Article 22

The People's Bank of China may, for the purpose of implementing monetary policies, apply the following monetary policy instruments:

(1)

to require a financial institution to place a deposits reserve fund at a required ratio;

(2)

to fix the base interest rates;

(3)

to provide rediscount business for financial institutions having current accounts in the People's Bank of China;

(4)

to provide loans for commercial banks;

(5)

to buy and sell state bonds and other government bonds and foreign exchange in the open market operation; and

(6)

other monetary policy instruments defined by the State Council.

The People's Bank of China may work out specific conditions and procedure when applying the monetary policy instruments set forth in the preceding paragraph to implement monetary policies.

Article 23

The People's Bank of China shall act as fiscal agent for the State in accordance with the law and administrative decrees and regulations.

Article 24

The People's Bank of China may organize financial institutions in issuing and cashing state bonds and other government bonds on behalf of the financial department of the State Council.

Article 25

The People's Bank of China may open accounts for financial institutions as needed, but may not provide the financial institutions with overdraft facilities.

Article 26

The People's Bank of China shall organize or assist in organizing financial institutions in settling inter-institutional accounts, coordinating such activities and providing such services. Specific measures shall be formulated by the People's Bank of China.

Article 27

The People's Bank of China may, as needed for implementing monetary policies, determine the amounts, duration, rate of interest and form of loans to commercial banks, but the duration shall not exceed one year.

Article 28

The People's Bank of China may not provide the State with overdraft facilities, and may not directly subscribe and underwrite state bonds and other government bonds.

Article 29

The People's Bank of China may not provide loans to local governments or governmental departments at all levels, or to financial institutions other than banks, other organizations or individuals, however the special financial institutions other than banks to which the People's Bank of China may provide loans as determined by the State Council shall be excepted.

The People's Bank of China may not act as financial guarantor for any organization or individual.

Chapter V Supervision over Financial Institutions

Article 30

The People's Bank of China shall, in accordance with the law, exercise supervision over financial

institutions and their business operations to maintain the legitimate, stable and sound operation of the financial industry.

Article 31

The People's Bank of China shall, in accordance with relevant regulations, approve the establishment, changes, termination and the business scope of a financial institution.

Article 32

The People's Bank of China shall have the power to audit, check and supervise at any time the deposits, credits, settlements, bad loans and other business affairs of financial institutions.

The People's Bank of China shall have the power to check and supervise the raising or lowering of interest rates on deposits or loans by financial institutions in violation of regulations.

Article 33

The People's Bank of China shall have the power to demand financial institutions to submit balance sheets, statements of profit and loss and other financial and accounting reports and material in pursuance of regulations.

Article 34

The People's Bank of China shall be responsible for compiling comprehensive statistics and accounting statements for the national financial system and publishing them in accordance with relevant provisions of the State.

Article 35

The People's Bank of China shall guide and supervise the business operations of the state banks responsible for implementing state policies.

Article 36

The People's Bank of China shall establish and perfect its systems of control and check-ups and strengthen its internal supervision.

Chapter VI Financial Accounting

Article 37

The People's Bank of China shall exercise independent control over its financial budget.

The budget of the People's Bank of China shall be incorporated into the central budget after it has been examined and verified by the financial department of the State Council and be subject to the budgetary control and supervision of the financial department of the State Council.

Article 38

The People's Bank of China shall turn over to the state treasury the entire net profit from its annual income minus annual expenditure after drawing funds for its general reserve at a proportion determined by the financial department of the State Council.

Losses sustained by the People's Bank of China shall be offset by state allocations.

Article 39

The People's Bank of China shall abide by the law, administrative rules and regulations and the unified state accounting system in managing its revenue and expenditure and in accounting and be subject to the auditing and supervision of the audit institutions and the financial department of the State Council in pursuance of the law.

Article 40

The People's Bank of China shall, within three months after the end of every fiscal year, complete the balance sheet, statement of profit and loss and relevant accounting reports, prepare its annual report and publish them in accordance with relevant regulations of the State.

The fiscal year of the People's Bank of China begins on the first of January and ends on the thirty first of December of the Gregorian calendar.

Chapter VII Legal Liabilities

Article 41

Anyone who forges or mints currency, sells counterfeit Renminbi, or knowingly transports counterfeit money shall be investigated for criminal responsibilities in accordance with the law.

Anyone who alters Renminbi or sells altered Renminbi or knowingly transports altered Renminbi shall, if the case constitutes a crime, be investigated for criminal responsibilities and shall, if the circumstances are not serious, be punished by the public security organ with a detention of not more than 15 days and a fine of not more than 5000 yuan.

Article 43

In the event that anyone illegally uses the image of Renminbi on propaganda material, publications or other commodities, the People's Bank of China shall order the offender to make corrections and destroy the illegally used image of Renminbi, confiscate any income illegally obtained thereby and impose a fine of not more than 50000 yuan.

Article 44

In the event that anyone prints or sells coupons as substitutes for Renminbi for circulation, the People's Bank of China shall order the offender to stop the illegal practice and impose a fine of not more than 200000 yuan.

Article 45

In the event that anyone violates the law or administrative rules or regulations regarding financial supervision, the People's Bank of China shall order the offender to cease the illegal practice and give administrative sanctions in accordance with the law; if the case constitutes a crime, he shall be investigated for criminal responsibilities.

Article 46

If the person involved is not reconciled to the punishment, he or she may bring up an administrative

suit in accordance with the "Administrative Procedure Law of the People's Republic of China".

Article 47

If the People's Bank of China commits any of the following acts, the person directly in charge and other persons held directly responsible shall be subject to administrative sanctions; if the case constitutes a crime, they shall be investigated for criminal responsibilities in accordance with the law:

(1)

to provide a loan in violation of the First Paragraph of Article 29 of this Law;

(2)

to provide financial guarantee for an organization or individual; or

(3)

to use the currency issue fund without authorization.

Should any of the aforesaid acts result in a loss, the person directly in charge and other persons held directly responsible shall bear part of or all the liabilities for compensation.

Article 48

Should a local government or any other administrative organ at any level, or a public organization, or an individual coerce the People's Bank of China and its staff into providing loans in violation of the provisions of Article 29 of this Law, the person directly in charge and other persons held directly responsible shall be subject to administrative sanctions in accordance with the law; should the case constitute a crime, they shall be investigated for criminal responsibilities in accordance with the law and shall bear part of or all the liabilities for compensation for any resultant losses.

Article 49

Any staff of the People's Bank of China who divulges a state secret shall, if the case constitutes a crime, be investigated for criminal responsibilities, and if the case is not serious, he or she shall be subject to administrative sanctions in accordance with the law.

Article 50

Any staff of the People's Bank of China who commits embezzlements, corruption, malpractice for personal gains, abuse of power, neglect of duties shall, if the case constitutes a crime, be investigated for criminal responsibilities according to the law, and if the case is a minor one, shall be subject to administrative sanctions according to the law.

Chapter VIII Supplementary Provisions

Article 51

This Law shall enter into force on the date of its promulgation.

The National People's Congress 1995-03-18

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