

《China expects more secure, supportive financial system》

BEIJING, April 27 (Xinhua) -- China is putting more emphasis on financial security in the name of ensuring that the financial sector serves the real economy.

Financial security is an important part of national security and a key foundation for stable and healthy development, Xi Jinping, general secretary of the Communist Party of China (CPC) Central Committee, told a recent group study attended by members of the Political Bureau of the CPC Central Committee.

LESSONS OF THE PAST

After years of reform, China has become a well-established global financial power at a difficult time for a world economy beset by risks and challenges.

"Since China has entered the critical period of economic transformation, it is time to raise financial security and demonstrate a better understanding of the interplay between finance and the real economy," said Wang Jun of the China Center for International Economic Exchange.

If the 1997 Asian financial crisis and the 2008 sub-prime mortgage crisis are anything to go by, then the next cataclysm will come as a result of the failure of inadequate risk prevention, swiftly followed by a universal economic collapse and resultant social woes.

"China's financial sector is confronted with pressure from non-performing loans; unpredictable risks stemming from excess innovation, a regulatory vacuum and over-inflated interbank businesses," said Wen Bin, a researcher with China Minsheng Bank.

For China's central leadership, financial stability is the key to good governance.

"Safeguarding financial security needs not only tactics, but more importantly strategies. We must take a comprehensive approach to financial security and make good top-level design," said Zhou Xiaoquan, president of Central China Securities.

NO SYSTEMIC CRISIS

Xi once described the accurate assessment of financial risk as a precondition for financial security. China's overall financial condition is good, and the leadership insists that financial risks are controllable, but there are plenty of them. Illegal lending, insider trading and fraud by insurance companies imperil financial market stability and put an unnecessary strain on economic transformation and structural upgrades.

Fan Yifei, deputy governor of the People's Bank of China has pointed out that cross-sector and cross-market risks are major obstacles on the road to stabilizing the financial industry.

Minsheng's Wen sees asset management and products that span banking, securities, bonds and other fields need as areas that require particular care and innovative regulation.

Deng Ge, spokesperson for the China Securities Regulatory Commission, recently made it clear that the regulator will not hesitate to clamp down on illegal acts which jeopardize the market's smooth operation.

"Authorities should improve the early warning system for financial risks, proactively meet hazards with controls, and push forward with financial deleveraging," Zhou suggested.

SUPERVISE, REGULATE, ConTROL

As the competence of Chinese financial institutions grows, supervision and regulation lag farther and farther behind.

Xi has listed various tasks necessary to maintaining financial security, including more accountability, assured compliance, proper supervision and tough penalties for violators.

The world over, supervision and regulation are at the center of financial market stability. Supervision of systemically important institutions and infrastructure are vital to rational and effective risk prevention and control.

Regulators must work more closely together and in a better coordinated manner to homogenize the rules. Regulators must be as powerful, as well-organized and as smart as those they seek to regulate.

"Risks may rapidly spread and trigger crisis if you don't handle them promptly," said Lian Ping, chief economist at the Bank of Communications.

Financial regulators are working on joint regulations to set basic standards that every institution -- commercial banks, trusts, fund managers, brokers, insurers -- must follow.

The real economy deserves excellent financial support.