FOREIGN EXCHANGE ADMINISTRATION

China's BOP continued recording surpluses of both current account (CA) and capital and financial account (KA) in 2007. Foreign exchange reserves significantly increased to US$1 528.249 billion at the end of 2007, with US$ 461.905 billion more than that of 2006.

A package of foreign exchange administration policies was introduced to promote external balance, including: allowing domestic institutions to retain foreign exchange earnings from CA transactions; reconciling the foreign exchange administration policies governing those areas under special customs supervision, such as the export-processing district, bonded areas and bonded logistic areas to eliminate the regulation discrepancies in CA foreign exchange account-opening, purchase and sales of foreign exchange among areas; liberalizing the restrictions on Qualified Domestic Institutional Investors (QDII) about investors, instruments, markets and foreign exchanges purchase quota; allowing qualified trust companies to provide trusted overseas wealth management services.

More efforts were made to facilitate foreign exchange payments by domestic individuals and institutions, including: raising the annual quota of foreign exchange purchase to US$ 50 000 per person; reconciling 47 and abolishing 16 regulations and rules concerning individuals; further standardizing and facilitating the operation procedures for banks and individuals; permitting the qualified corporate finance companies to have the internal foreign exchange sales and purchase operation on a trial basis; eliminating the approval procedures for debt-hedging through foreign institutions. The annual purchase of foreign exchange by individuals reached US$42.5 billion in 2007, 3 times more than that in 2006. The purchase for investment purposes increased from 2 percent in 2006 to 37 percent in 2007.

Channels for capital outflows were further expanded, including: delegating the approval of overseas investment to branches of the State Administration of Foreign Exchange (SAFE); encouraging the QDIIs to make financial investment aboard. In 2007, the total overseas direct investment remittance reached US$ 10.82 billion, up 32 percent than in 2006; and the QDIIs remittance reached US$ 35.3 billion.

The foreign exchange market was further developed, including: allowing more non-bank financial institutions and non-financial corporations to become the members of the inter-bank foreign exchange spot market, introducing more trading products such as currency swap between RMB and foreign exchange; improving the spot market entrance regulation.

Capital inflows and sale of foreign exchange were strictly restricted, including: strictly monitoring the companies receiving more foreign exchanges than actual exports; gradually cutting the short-term external debt quotas of financial institutions; strengthening the registration and debt-borrowing by foreign-funded real estate companies; launching the special investigations and inspections over capital inflows on key regions and areas; cracking down on the violations or crimes of underground money houses or illegal foreign currency purchases and sales.

IT works in foreign exchange administration were promoted, including: conducting data integration and consolidation, setting up the unified enterprise archive database of foreign exchange; achieving the data sharing between the fundamental archive and business data; taking efforts to build the monitor and analysis system on foreign exchange payments; greatly promoting online services in accordance with the national electronic government strategy; introducing the paper-less operation of export tax refunds in 14 provinces or cities with revenue offices; implementing the System for Individual Sales and Purchase of Foreign Exchange (SISPFE); developing the verification system for trade payments; trying the foreign exchange business information system for direct investment and the off-site supervision system for foreign exchange receipts and payments of trade in services.