PAYMENT AND SETTLEMENT SYSTEMS

Construction of payment and settlement systems and other financial infrastructures advanced steadily The PBC's Large Value Payment System (LVPS) functioned smoothly in 2007. The system processed 171.883 million of payment transactions with a total value of RMB 504.2 trillion yuan. The LVPS provides safe and efficient payment, clearing and settlement services for the financial sector and the financial market and maintains both economic and financial stability. The PBC's Small Value Payment System (SVPS), with many new functions relevant to the public daily life added, offers 24-hour services for internet payments, the payments via telephone and the inter-bank deposit and withdraw of money. The SVPS has improved both people's daily life and economic activities. In May 2007, the PBC completed the construction of the Payment Management Information System (PMIS) and started to operate it. The PMIS is used to gather data from all major payment systems and to monitor the operation of them. This system offers the PBC a new means to manage liquidity in the payment systems and opens up a new channel for financial institutions to enhance their own liquidity management. During the first half of 2007, the PBC completed the construction of the National Check Image Exchange System and started to operate it. The system realizes nation-wide circulation of checks and makes the settlement of non-local checks much easier. There is no doubt that this will surely promote the economic development. In addition, in order to meet the requirement of market competition and improvement of their financial services, financial institutions have been or are busy setting up their own intra-bank payment systems to enhance their ability to process payment transactions. All these provide necessary conditions for improving customer-oriented payment services, implementing the parameter management of products and promoting business innovation. Particularly, under the PBC's coordination and promotion, the provincial credit cooperatives have augmented the construction of their networks and deepened the reform of their core business processing systems, and the overall capability of credit cooperatives in both cities and countryside has been further strengthened.

Non-cash payment instruments more widely applied In order to popularize non-cash payment instruments and to promote their rapid development, the PBC has formulated several policies, including: *the Notice on Improvement of Individual Settlement Services;* the policies to promote, with the cooperation of the Ministry of Finance, the application of business cards and to improve the Special Bank Card Services for Migrant Workers; rules and regulations to improve bill business, etc. All these measures have played an active role in developing non-cash payment instruments, cultivating consumers' good payment habits and creating new payment culture. In 2007, 15.45 billion payment transactions with a value amount of RMB 593 trillion yuan were initiated with non-cash instruments, up 19.7 percent and 26.3 percent year-on-year, respectively. Bill business continued to develop and played an active role in transaction cost reduction, funds circulation and the cultivation of social creditworthiness. In 2007, one billion payment transactions with a value amount of RMB 236.5 trillion yuan were initiated with paper bills, down 17.9 percent and up 5.2 percent year-on-year, respectively. Bank card business continued to grow steadily. The bank card-acquiring environment continued to improve, and the popularization and consumption level at small and medium merchants were raised steadily. In 2007, 13.61 billion payment transactions were made with bank card with a value amount of RMB111.5 trillion yuan, up

24.7 percent and 57.9 percent year-on-year, respectively. At the end of 2007, the total number of bank cards issued exceeded 1.5 billion, up 32.6 percent from the previous year. ATMs and POS terminals installed counted 128 000 and 1 180 000, up 25.5 percent and 44.3 percent year-on-year, respectively. Meanwhile, the innovative channels for payment execution, such as internet, telephone and mobile phone have gained rapid growth with the ever increasing public requirements for convenient and speedy payment services.

Construction of payment market and its environment further promoted The tendency of marketization of payment services and diversification of payment providers has been further manifested. The competition in payment markets has been raised continuously. Payment service organizations in rural areas have been set up unceasingly, and the construction of the payment infrastructure has been pushed forward rapidly. The coverage of both non-cash payment instruments and the Special Bank Card Service for Migrant Workers has been expanded step by step, the service quality has been raised greatly and the payment environment in rural areas has been fairly improved. Under the unified organization and coordination by the PBC and other relevant departments, the construction of the payment service environment for Beijing 2008 Olympic has been progressing smoothly. The relevant departments and units paid special attention to building up the bankcard-acquiring environment in the cities to hold the Olympic games and the development of other non-cash payment services. Foreign organizations and individuals who come to China will enjoy more convenient services in bank accounting, bankcard payment, foreign currency exchange, traveler's check and electronic money remittance.

Oversight of payment and settlement systems further strengthened The oversight structure of payment and settlement systems, whose objectives are mainly safety and efficiency, has been further established. The establishment of rules and regulations governing payment and settlement was pushed forward. The formulation of *the Regulation on Bank Card, the Administrative Rules for Payment and Clearing Organizations and the Guidelines on Electronic Payments (No.2),*etc. have made new progress. In May 2007, the PBC completed the updating of the RMB Settlement Account Management System. At the end of 2007, 2 180 million banking settlement accounts were opened nation-wide, of which 17.67 million accounts were for enterprises, and 21 600 million accounts for individuals. At the end of June, the PBC completed the inter-networking with the National Citizen Identity Information System (NCIIS), thus providing a convenient technical means for the banking institutions to check the customers' identity while offering banking services. According to incomplete statistics, some 28 000 cases of false identity cards had been identified by the end of 2007, including 1 900 cases with suspicion of violating laws and/or committing crimes that had been submitted to the public security authorities. Recently, the transaction volume of identity checking through the inter-network system was some 1.8 million on a daily average. The roll-out of the inter-network identity checking has objectively created an immense deterrence to the activities of opening a banking account with a false name and prevented these activities from even happening. This measure is beneficial to the containment of various illegal activities and/or crimes, such as corruption, tax evasion, money laundering, etc. from the very origin. It shows that a breakthrough has been made in the implementation of a real-name system for banking business.