# FISCAL AGENT FUNCTION OF THE PBC

In 2007, the PBC processed collections of RMB5 217.1 billion yuan as the general budgetary revenue, RMB1 114.4 billion yuan as the budgetary fund revenue and RMB797 billion yuan as proceeds from issuance of treasury bonds. The PBC also processed payments of RMB4 889.3 billion yuan as the general budgetary expenditure and RMB852.8 yuan as the budgetary fund expenditure, and redeemed the principal and interest of treasury bonds totaling RMB651.7 billion yuan.

**Notable effects were achieved in the IT-based construction of State Treasury** Accounting and settlement system of the treasury was further optimized, which provided powerful support to the successful implementation of the reform of government revenue and expenditure categories and the change of PBC account titles. Significant progress was made in the expansion of transversal network linking fiscal, taxation, treasury and banking agencies. By the end of 2007, a total of 3165 taxation agencies, 28 475 operating stations of commercial banks or credit unions and 1 253 treasury agencies in 18 provinces (cities) had joined the network system, and around 210 thousand and 470 thousand tax payers processed electronic tax payment to national and local tax agencies through the network respectively. 10.03 million of electronic tax payments were made for various taxation revenue all through the year, accounting for RMB296 billion yuan, with a daily peak of 216 thousand payments, equal to RMB8 billion yuan. A pilot program was carried out in connecting the UnionPay into the network system and tax payment by bank cards of tax payers. Substantial progress was made in the construction of Treasury Centralized Balancing System (TCBS), with Beijing and Chongqing being identified as the first pilot units. Efforts were made in steadily pushing forward the network link with the Ministry of Labor and Social Security, which laid a solid foundation for pilot of collecting and granting five insurance fund of social security and pension insurance of migrant workers.

**Notable improvements were achieved in the PBC's fiscal agent services** The treasury single account system was improved, and creative pilot was made for direct payment of the State Treasury and direct collection of social security fund and non-tax revenue, which enabled funds related to the national economy and people's livelihood including those related to agriculture and peasants, reservoir migration subsidy and salaries for teachers directly appropriated from the Treasury account to accounts of peasants, reservoir migrates and teachers, and enabled non-tax revenue being paid directly to treasury account from payers' accounts. The network linking fiscal, taxation, treasury and banking agencies realized in-house tax declaration and collection, which promoted the systemic construction and institutional build-up for collection and distribution of social insurance fund, information record of pension insurance for migrant rural workers and distribution of cross-region migrant treatment. Fiscal agent system was improved to serve for the national economic and social development, promote the in-depth reform of government units, facilitate coordination of fiscal and monetary policies, as well as to upgrade the capacity and services for tax payers and the people.

**Supervisory function of treasury was continuously strengthened** First, the PBC executed on-site examinations on general treasury business to prevent risks of treasury fund, and organized treasury departments at local levels to conduct on-site examinations on centralized treasury paying-in and payments, by which the PBC has well implemented the supervisory management function in the reform of centralized paying-in and payments system of the treasury. The PBC *promulgated Notice on Further Improving Treasury Paying-in* to regulate treasury receipts and enhance the supervisory management on treasury receipts division. The PBC compiled bi-weekly surveillance reports and quarterly analysis reports on treasury fund, composed the Report on Supervision of the Treasury in 2006 and Report on Annual Examination of Fiscal Agent, and compiled *Case Review on Treasury Supervision.* The PBC also carried out emergency drill on contingent events in the treasury system, and curbed irregular receipts, payments and withdrawals to ensure the safety of treasury fund.

**Cash management was steadily moving forward** On April 25, the PBC and the Ministry of Finance conducted term deposit bid of commercial banks for the central treasury cash management at a total of RMB30 billion yuan with the term of 183 days (six months). Unitary price was adopted in the bid, which was won at an interest rate of 3.15 percent. Given the excess liquidity, the PBC appropriately coordinated the relationship between monetary policy management and the interests of government finance and improved central treasury cash management system, and primarily formed the mechanism of term deposits in commercial banks of central treasury cash management. The PBC set up a treasury cash management forecasting model and made primary exploration to forecast the treasury paying-in, payments and deposits in 2007. The PBC also organized analysis on operational plans for local treasury cash management, and proposed principles and opinions on local treasury cash management.

**Statistics and analysis on the treasury was solid and efficient** The PBC moved forward the reporting one day for daily report of treasury paying-in, payments and deposits, providing statistics of flow and stock of treasury fund at all levels, which better satisfied the information demand on open market operations and practices of treasury cash management. The PBC timely accomplished regular analysis reports on treasury fund operation, providing reference for governors and relevant departments; and conducted in-depth study on hot issues related to treasury fund operation in coordination with current economic situation, giving full play of the advisory function of treasury in macroeconomic decision making.

**The administration of treasury bond went on smoothly** In 2007, a total of RMB160 billion yuan of voucher form treasury bonds and RMB3.396 billion yuan of deposit treasury bonds were issued jointly by the Ministry of Finance and the PBC. RMB209.689 billion yuan of voucher form treasury bond was redeemed, with an interest of RMB19.175 billion yuan and RMB0.352 billion yuan was appropriated for commission. The PBC conducted the first pilot operation of bearers' bond redemption in Hunan, Anhui and Jiangsu. *Operational Bylaws of the People's Bank of China on Redemption of Bearers' Bond* was promulgated to standardize operation procedures for the regulation construction and position setup, ensure the safety of treasury fund and effectively solve the difficulty in the redemption of the bearers' bond.

## Box

### Treasury Centralized Balancing System

Treasury Centralized Balancing System (TCBS) is a centralized state treasury accounting system designed to achieve uniform processing of treasury balancing and centralized data storage. Without changing of the treasury accounting agencies at various levels, TCBS is built with modern IT achievements and based on an innovative concept of treasury business processing and an optimized processing procedure.

TCBS can realize: (1) computerized whole-process automation of accounting; (2) straight-through treasury paying-in, treasury payment being transferred to the recipient's account in real-time, zero float and multiple risk control; (3) that the non-local tax payments can be processed locally and taxes can be declared and paid at multiple places. The system can automatically define different risk control priorities for budget receipts, refund of budget receipts, budget outlays, budget correction, interest of treasury deposits and government bond redemption and apply a 3-phased control, namely pre-, in-, and post-process control. The system can also provide the functions that can make use of check and bank draft in non-budgetary funds, social security funds and not-taxable payment transactions.

Based on the new platform of the Treasury Data System and built with modern IT achievements, the TCBS has been re-designed and has comprehensively transformed the treasury business procedures and brought about an innovative model for state treasury management. The system enhances the control of high risk business by setting-up quantitative indicators for the risk management and realizes secure funds operation and whole-process monitoring of treasury funds operation. Through the centralized management and the storage of the treasury data and data sharing, the system provides adequate information for the statistical analysis, monitoring and management of the state treasury. It also provides all relevant departments with authorized enquiries, so that it enables the central Bank, the Ministry of Finance, the State Administration of Taxation, etc., to monitor the whole process of tax declaration, treasury paying-in, fiscal funds transfer and to have a comprehensive control of the treasury paying-in, payments and deposits. These in turn can provide statistical data analysis for strengthening taxation management and improving the coordination of fiscal and monetary policies. The system holds the operator responsible for the treasury management to reduce manual processing, thus lowering the demand for human resources for accounting and reporting. The system provides more powerful and more efficient functions and services and has laid a solid foundation for further treasury reform.