

REGULATION AND DEVELOPMENT OF
CREDIT INFORMATION SERVICES

Regulate the Industry of Credit Information Services and Take the Lead of the Ministerial Joint Conference on the Establishment of the Social Credit System

In 2008, based on the institutional and functional adjustments among various ministries of the government, the State Council adjusted the function of the PBC from regulating credit extending information services to regulating credit information services industry, and issued the *Approval on the Adjustment of the Responsibilities and the Membership of the Ministerial Joint Conference on the Establishment of the Social Credit System*, appointing the PBC to take the lead in organizing the ministerial joint conference on the establishment of the social credit system (referred to as the joint conference hereinafter) in the place of the General Office of State Council and setting up a dedicated office for the joint conference at the PBC. In order to implement the instructions of the State Council, to fulfill the leading responsibilities of the joint conference, and to promote the establishment of the social credit system, the PBC drafted the relevant documents to promote the establishment of social credit system after soliciting the opinions of the joint conference members.

Legal and Institutional Building of Credit Information Services Regulation Keeps Improving

In accordance with the arrangements of the State Council on establishing the credit system, the Legislative Affairs Office of the State Council and the PBC drafted the *Regulations on the Credit Information Services* (referred to as the Regulation hereinafter). In order to issue the Regulation as soon as possible, the

PBC actively participated in its drafting relevant researches, and organized many discussions on the legislation of major issues concerning credit information services. In order to have a well-defined principle of the management of credit information services, and incorporate new trends in the regulation of credit information services emerging since the outbreak of the financial crisis, the PBC conducted in-depth researches in the regulatory institutions of credit information services and produced multiple research achievements including *The Report on Building the Legal System on Regulating Credit Information Services*. In order to improve the regulation of credit rating, the PBC promulgated the *Notice on Administrating the Credit Rating Operation on the Interbank Bond Market*, established the reporting system of on-site interviews of rating agencies on the interbank bond market and major operational procedures of rating agencies, detailed the requirements on the time of rating operations identified in the *Standard for Credit Rating on the Credit Market and the Interbank Bond Market*, identifying different working time between ordinary enterprises and corporate groups, and between initial rating and continuous rating. In order to fulfill the responsibility entrusted by the State Council to “draft the development program, regulations and the industry standards of the credit information service industry”, and to promote the development of the standardization of credit information services, the PBC actively promoted to upgrade the industry standard formulated by its own to be the national standard. The Standardization Administration of the People's Republic of China had listed 4 standards, including the *Data Element of the Default Rate of Credit Rating*, in the national standardization plan of 2008, of which the PBC

was appointed in charge. At the same time, the PBC vigorously promoted the application and the implementation of the standards of credit information services, making initial progress. The standards had been used by some local institutions to upgrade their existing information systems, promoting credit system establishment of relevant industries.

The Regulation of Credit Information Service Market Has Been Increasingly Standardized

The purpose of regulating the credit information service market is to safeguard data subjects' rights and facilitate their financing. First, strengthen the implementation of rules and regulations, guide and urge the institutions on the credit information service market to operate in compliance with rules and regulations. Second, deal with data subjects' complaints seriously, coordinate and supervise commercial banks and relevant institutions to fulfill their obligations in handling objections and safeguard the rights of data subjects. Third, strengthen the supervision over the credit rating market, continue to strengthen the regulation of credit rating on the interbank bond market, standardize the rating procedures of medium-term bills, and establish a pilot reporting system of credit rating of short-term bills issued by SMEs. At the same time, the credit rating on the credit market was steadily progressed, and the credit rating on borrowers and the guarantee agencies have been strengthened. In order to expand the coverage of credit rating, the PBC launched the rating for commercial acceptance bills, and made the “working plan to promote the credit rating on commercial acceptance bills”.

The Establishment of the Credit System of SMEs Has Proceeded in An Orderly Manner

First, provide training and education programs for SMEs. Efforts were made to guide SMEs to operate in an honest and trustworthy manner in compliance with the law, to standardize their accounting system, to help

them better understand the services and products provided by commercial banks, and to increase the targeting of their financing. Second, actively establish credit information files for SMEs. Efforts were made to organize commercial banks to use SME information in these files, so as to “promote the development of credit information services via its application”; pool SME information in coordination with the state and local taxation administrations, industrial and commercial agencies and other relevant government agencies; and explore to establish SME credit information files with the help of credit intermediaries, and upgrade the information in a timely manner. Third, guide and encourage local governments and intermediaries such as credit guarantee and credit rating agencies to get involved in the establishment of credit system for SMEs, and to reduce the financing costs and risks of SMEs through the local government guidance, financial support, credit guarantee and credit rating, etc.. Fourth, in line with the state's policies of supporting the development of SMEs, efforts were made to guide financial institutions to query information of SMEs, so as to develope suitable financial products for SMEs and to increase their financing. By the end of 2008, the PBC organized 127 thousand training programs for SMEs, updated the information of 1.874 million SMEs and offered 1.42 million times queries. A total of nearly 96 thousand SMEs were offered credit extension intentions by banks, and more than 40 thousand SMEs received bank loans with an outstanding value of 749.66 billion yuan and a total value of 1227.16 billion yuan.

The Establishment of Credit System in Rural Areas Has Been Steadily Advanced

Efforts were made to strengthen education for farmers to enhance their credit awareness, to help the financial institutions in rural areas to establish electronic files for their farmer customers in coordination with local governments, explore scientific

indicator system and evaluation approach that could reasonably display farmers' credit status, to encourage and guide rural financial institutions to innovate products suitable for farmers, and to promote a business model of “company +farmers+credit information services+loans” to increase credit support to rural area. By the end of 2008, electronic files of credit information for 95.15 million farmers in 2232 counties had been established, among which, credit evaluation system for 63.08 million farmers in 2017 counties had been established, and 54.58 million rural households had got the access to loans, with a total value of more than 1553 billion yuan, and an outstanding balance of 712.8 billion yuan.

NBCID and NICID Performed in A Stable Manner

NBCID and NICID performed in a safe, stable and efficient manner since its establishment 5 years ago. By the end of 2008, the NBCID had covered more than 14.474 million enterprises and other organizations, among which, more than 6.942 million had credit records. 137 thousand computer terminals had been connected with the Database, and the total number of inquiries was 61.599 million times since the Database had been put into operation. The average daily inquiries number in 2008 was 130 thousand, and the highest single day inquiry number was 154 thousand times. The NICID had established files for more than 636 million natural persons, among which 141 million had credit records. 133 thousand computer terminals had been connected with the Database, and the total number of inquiries was more than 290 million times since the Database had been put into operation. The average daily inquiry in 2008 was 554 thousand, and the highest single day inquiry number was 871 thousand. With the expanded application of the Databases, their social implication had been highlighted. By the end of 2008, more than 10 thousand business credit files had been

provided to the PBC, China Securities Regulatory Commission and other financial regulatory authorities; a number of corporate and personal reports had been provided to the discipline inspection authorities, public security organs, National Audit Office and other government institutions. In 2008, with the information covered by the Databases enlarged to aspects pertaining to environment protection, product quality regulations, overdue payment of telecommunication charges, wage payment in arrears. The role of the Databases to promote compliance with laws and regulations, as well as implementation of contract honestly had been strengthened.

The Pledged Account Receivables Public Display System had been operated smoothly since October of 2007. By the end of 2008, the system had registered more than 43 thousand transactions, accepted nearly 60 thousand inquiries, and issued 14 thousand certifications of inquiries. More than 1700 users had been registered as “Regular Financial Users”, and more than 2000 had been registered as “General Inquiry Users”. More than 16 thousand transactions had been initial registration with SMEs as the pledge provider, accounting for 65 percent of the total amount of initial registration, and the value of the master agreement for initial registration is approximately 840 billion yuan.

Progress Has Been Made in Establishing the Integrated Credit Information Service Platform for the Financial Industry

Establishing the integrated credit information services platform for the financial industry (referred to as the platform hereinafter) is one of 10 major tasks assigned by the General Office of the State Council in line with the spirit put forward in its document entitled *Several Opinions on the Establishment of the Social Credit System*. With the PBC taking the lead in its establishment in cooperation with China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission,

State Administration of Foreign Exchange, the Supreme People's Court and other members of the ministerial joint conference, the platform aims to having a comprehensive record of the information of enterprises and individuals covering their credit information in banking, securities, insurance, foreign exchange and other areas. So far, the PBC has drafted *the Program for the Establishment of the Integrated Credit Information Service Platform* for the approval of the State Council based on a wide range of researches and discussions with members of the joint conference and various types of financial institutions. According to the Program, the platform will be constructed on the basis of the existing centralized national corporate and personal credit information databases and its network. Based on

financial sector, the platform will provide services to the law enforcement institutions, government institutions, financial regulatory authorities and the general public. The platform will realize on-line verification of identity information and other registered information of enterprises and individuals; promote the sharing of and the conditional access to administrative penalty, licenses and etc; provide the information concerning law compliance and the credit information on civil activities for case investigation of law enforcement agencies and the administration in line with the law and civil activities of governmental agencies; and materialize credit information sharing between financial institutions and other credit providers.

BOX 5

The Ministerial Joint Conference on the Establishment of the Social Credit System

The establishment of the social credit system is a major task concerning the overall economic and social development. It is also a the systematic project that was essential for the implementation of comprehensive scientific development, building up a harmonious society, and promoting further development of the socialist market economy in China. The subprime mortgage crisis in the United States has underscored the importance of the social credit system to the market economy. The Central Committee of the CPC and the State Council have attached great importance to the establishment of the social credit system. In the latest ten years, on various meetings, the Central Committee of the CPC and the State Council have called for the establishment of a social credit system in the socialist market economic system and treated it as a basic system, and on the national financial working conference held in the early 2002, it has been put forward that the entire party and society must strengthen the awareness of credit, establish and maintain sound social credit to promote reform, development and stability. The 16th Congress of the CPC and the third Plenary Session of the 16th Congress of the CPC have pointed out the right direction for the establishment of the social credit system. In 2007 the General Office of the State Council has issued *the Opinions on the Establishment of the Social Credit System*, which has systematically and comprehensively defined the objectives and requirements of the establishment of the social credit system. Based on this guidance, the General Office of State Council has taken the lead to hold the first meeting of the Ministerial Joint Conference of the Establishment of the Social Credit System and put forward 10 main tasks, including developing the five-year plan for the establishment of the social credit system, strengthening credit building in various industries, establishing a unified