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¹ The English edition is an unofficial translation of the *China Financial Stability Report 2006*. In case of any discrepancies, the Chinese version shall govern.

Preface

2005 was a groundbreaking year for China with impressive achievements in financial sector restructuring and wider opening up of financial sector, and the financial system has become more resilient to potential financial risks. *China Financial Stability Report 2006* aims to reflect the latest developments in a comprehensive manner and contributes to the PBC's effort to assess financial stability.

China Financial Stability Report 2006 is structured as follows: Chapter I provides an overview of financial stability in China; Chapter II analyses the impact of macroeconomic performance on financial stability; Chapter III to Chapter V respectively discusses reform and development of the banking, securities and insurance industries and their impacts on financial stability; Chapter VI focuses on the development of integrated financial services; Chapter VII discusses the relationship between financial market development and financial stability; Chapter VIII explores the needs to establish deposit insurance system in China; and Chapter IX analyses operation and risk management of the payment system. The Report contains 18 “boxes” that provide in-depth analysis of a number of significant issues that bear on financial stability. China Financial Publishing House contributed greatly to the Report.

Our aim is to present a dynamic and comprehensive picture of financial reform, development and stability in China over 2005. Yet given the limited knowledge of the authors and inadequate experience in evaluating financial stability, the report is certainly not perfect. We welcome suggestions from the relevant government bodies, academia and all sectors of the society to help us improve financial stability analysis and evaluation methodology in future editions.

Financial Stability Analysis Group of the PBC
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Abbreviations and Acronyms

ABC	Agricultural Bank of China
ABS	Asset-backed Securitization
ADBC	Agricultural Development Bank of China
AMC	Asset Management Corporation
BIS	Bank for International Settlements
BOC	Bank of China
BOCOM	Bank of Communications
CAR	Capital Adequacy Ratio
CBRC	China Banking Regulatory Commission
CCB	China Construction Bank
CCPC	Prefecture City-level Clearing and Processing Center
CDB	China Development Bank
CHIBOR	China Inter-bank Borrowing Rate
CIRC	China Insurance Regulatory Commission
CITIC	China International Trust and Investment Corporation
CMB	China Merchant Bank
CNAPS	China National Automated Payment System
COFCO	China National Cereals, Oils and Foodstuffs Corporation
CPC	Communist Party of China
CPSS	Committee on Payment and Settlement System
CSRC	China Securities Regulatory Commission
DVP	Delivery versus Payment
ECB	European Central Bank
EPS	Earnings Per Share

FSAP	Financial Sector Assessment Program
HVPS	High Value Payment System
ICBC	Industrial and Commercial Bank of China
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPOs	Initial Public Offerings
JSCBs	Joint-Stock Commercial Banks
MBS	Mortgage-backed Securities
MOF	Ministry of Finance
NCCT	Non-Cooperative Countries and Territories
NDRC	National Development and Reform Commission
NPC	National Processing Center
NPA	Non-performing Assets
NPL	Non-performing Loans
OECD	Organization for Economic Cooperation and Development
OFIs	Other Financial Institutions
PBC	The People's Bank of China
QDIIs	Qualified Domestic Institutional Investors
QFIIs	Qualified Foreign Institutional Investors
RCCs	Rural Credit Cooperatives
RMB	Renminbi
RPS	Retail Payment System
SAC	Securities Association of China
SAFE	State Administration of Foreign Exchange
SASAC	State-owned Assets Supervision and Administration Commission
SCNPC	Standing Committee of the National People's Congress
SMEs	Small- and Medium-sized Enterprises
SOCBs	State-owned Commercial Banks

SSF	Social Securities Fund
TICs	Trust and Investment Companies
UCCs	Urban Credit Cooperatives
USD	US Dollar
WTO	World Trade Organization

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