

## **China to tighten controls on banks' derivatives business**

China would tighten rules on domestic banks' derivatives operations after financial institutions suffered losses during the global downturn, the country's banking regulator said on Wednesday.

The move would discourage lenders from trading complicated overseas derivatives products and help institutions avoid financial risks, the China Banking Regulatory Commission (CBRC) said.

Banks will not now be allowed to take part in complex derivatives transactions between domestic companies and overseas financial institutions, in a bid to avoid risks from overseas entering the domestic market, it said.

The country's banks have been asked to explain or introduce the use of derivatives products to their clients in an "understandable and clear" way, so that they would fully realize potential risks.

Banks should also make thorough assessments between derivatives products and the institutions before introducing the products to institutions, so these financial tools would meet exactly the demands of their clients.

Banks should be responsible for providing institutions and companies with timely information about products, and re-assess their value for clients.

Chinese companies and financial institutions suffered great loss during the global financial crisis last year, and many of these resulted from derivatives trading activities.

In March, China's State-owned Assets Supervision and Administration Commission urged centrally-administrated state-owned enterprises to strengthen control over derivatives transactions.

The CBRC said it would keep a close watch on lenders' activities and strictly monitor derivatives products transactions.

*Source: Xinhua*