

New lending rules in effect, CBRC says

Two new regulations aimed at monitoring working capital loans and personal loans have been put into effect, the China Banking Regulatory Commission (CBRC), the country's banking watchdog, announced Saturday on its website.

Working capital loans cannot be used in investments including fixed assets and shareholding, the regulation on working capital loans stipulates. The issuance of excessive loans and appropriation of loans should be avoided, according to the regulation.

Face to face interviews will be made necessary when approving personal loans, according to the regulation on personal loans.

The two regulations both state lenders and borrowers should declare the purpose of loans before they are made.

The implementation of the two regulations, aimed at reining in excessive liquidity and preventing potential credit risks, is timely and a must in the current economic context, said Lu Zhengwei, a senior economist at Industrial Bank.

Loan growth in the first month of this year totaled 1.39 trillion yuan (\$203.51 billion). "Though it's a bit shy of those extremely high numbers in 2009, a year of extraordinarily loose money policy, this...is a huge amount by any standards," economists led by Lu Ting of Bank of America-Merrill Lynch in Hong Kong said in a research note released February 12.

The January data came after the country's monetary authorities began to take actions to control the flood of liquidity in the latter part of the first month. It's widely believed loans for the whole year will be about 7.5 trillion yuan (\$1.10 trillion), compared with nearly 10 trillion yuan (\$1.46 trillion) last year.

Credit growth this year will continue to concentrate on medium- to long-term loans, said Sun Peng, a banking sector analyst with BOCI, a subsidiary of Bank of China (BOC), adding that though banks' operation costs will be raised and their profitability will be affected after the implementation of the regulations, their credit risks will be lowered afterward.

But Lu was concerned the regulations may not prove as feasible as expected.

Personal information including credit records and repayment capability is not so transparent as that of corporations, which poses a challenge to examining the authenticity of information vital to evaluating credit risks, he said.

The declaration of loan use ahead of time stipulated by the regulation is also tough to monitor, Lu said. He said emerging unsecured loans issued by some banks do not make clear the definite purpose of loans. Current banking services may have to be adjusted to conform to the regulations, he said.

Loan growth will stay stable this year, as "financial institutions and regulatory bodies have started to understand each other after the tug of war between the two sides in January," Lu said.

By Li Qiaoyi

Source: Global Times