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By Zhang Fengming | NEWSPAPER EDITION

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CHINA is reportedly planning tighter banking supervision to avoid a "too big to fail" scenario seen in the Western countries during the global financial crisis.

A new banking supervision rule under discussion, which may be introduced in 2011, will require at least an 11 percent capital adequacy ratio on "systematically important" banks and 10 percent on other banks, China Business News said yesterday, citing sources it didn't disclose.

The banking authority has the power to require an extra 5 percent on certain banks, the report said.

The minimum CAR requirement is 8 percent. However, banking authorities have already raised the requirement on the big five state-owned banks to 11.5 percent while smaller banks have to meet 10 percent.

Another indicator under discussion is one to trim bad loan exposure. The requirement for provisions against total loans of at least 2.5 percent is expected to be added to the list of supervision indicators next year, the report said.

The China Banking Regulatory Commission was not available for comment yesterday.

Big-name banks in the West that were mired in the global crisis managed to survive with the help of state bailouts, leaving the "too big to fail" a buzzword as taxpayers and analysts criticized the lack of supervision on such banking behemoths. High leverage among Western banks was blamed as the cause of the global crisis.

In the aftermath of the crisis there were calls for more efficient and effective supervision of financial firms.

In August, China ordered lenders to shift off-balance sheet loans onto their books to beef up risk control and plug a loophole that banks could use to sidestep liquidity curbs.

The assets related to wealth management products managed by trust firms must be transferred onto bank's balance sheets by the end of 2011, according to the CBRC.

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