

Central bank to set up foreign exchange department

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The People's Bank of China (PBOC), the central bank, would establish a foreign exchange department.

With the approval of the State Council, the Cabinet, major functions of the new department include: administering foreign exchange, regulating domestic foreign exchange market, conducting analysis on the global foreign exchange market and international capital flows and advising to policy makers, the central bank said in a statement on Thursday.

This would increase the total number of departments under the central bank to 19 from 18 after its last institutional reorganization in 2003.

Different from the State Administration of Foreign Exchange, the new department is to focus more on policy work instead of detailed management.

It was quiet necessary to set up a special department for the foreign exchange issues, said Peng Xingyun, who works at the Institute of Finance and Banking under China Academy of Social Sciences.

"The more flexible foreign currency rate and frequent international capital flows have increased uncertainties around the country's macro-economy regulation," Peng said.

The establishment of the new department indicated that foreign exchange would become a more important tool for the central bank's macro control, he said.

This would also be helpful to monitor cross-border capital flows, China Minzu Securities analyst Li Yuan said.

Also as a result of the State Council's decision, PBOC would form financial supervision and collaboration mechanism with China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission.

The mechanism aimed to share financial information and increase cooperation among the four authorities, in a bid to prevent and resolve financial risks and safeguard financial stability. (China Daily)

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