

Banking regulator: ensure loans enter real economy

3 major state-owned banks: NPL risks are under control

China's state-owned banks shift focus to credit control and restructuring

State-owned commercial banks issued larger loans to SMEs in H1

On July 27, China Banking Regulatory Commission (CBRC) formally issued "provisional measures on fixed-asset loan management" to ensure that bank loans enter real economy. The measures will take effect three months after the date of release.

The measures will apply to loans issued for four major types of investment project: infrastructure, upgrades and renovation, real estate development and miscellaneous fixed-asset investment projects. The measures will be implemented through managing the entire process of loan to enhance banks' risk management capabilities, and ensure that loans enter the accounts of contracted parties and the money is used for the contracted purpose.

The tightened lending regulations are unlikely to increase the costs to banks and borrowers. The CBRC explained that the implementation of the measures will guarantee normal financing demand by enterprises and ensure that after signing contracts. The loans will be gradually issued to the borrowers in line with the progress of investment projects, which will reduce interest costs for enterprises. In addition, banks will also benefit from this procedure because of lowered lending risks.

Apart from requiring borrowers to provide loan guarantees and collateral, banks should also become the first party to claim compensation from commercial insurance policies under which the projects are insured, or take other steps to effectively control insurance rights and interests.

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http://paper.people.com.cn/rmrb/html/2009-07/28/content_306519.htm
