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## China to strengthen supervision on working capital loans

BEIJING, July 30 (Xinhua) -- A proposed banking regulation that allows China's lenders to channel working capital loans direct to recipients, avoiding the borrower, was opened to public submissions Thursday.

Members of the public have until Aug. 26 to submit opinions on the proposed regulation to the China Banking Regulatory Commission (CBRC), said a statement on the commission's website.

Working capital loans refer to the loans banks and financial institutions grant to enterprises and other organizations for routine business operations. They can be yuan-denominated or in foreign currency.

The regulation would "regulate and enhance management of loan-extending activities of financial institutions, promote a sound working capital loans management mechanism," said the statement.

The regulation requires lenders to ensure the borrower's credit and business operations are sound before agreeing to the loan, and to monitor the use of loans to ensure they are spent according to the agreement.

If a single payment from the lenders amounted to more than 30 percent of the contracted value and was above 1 million yuan (416,000 U.S. dollars), or if a single payment value exceeded 10 million yuan, the lender could directly channel the loan to the end-recipients.

Previously, the money would be given to the borrowers, who would decide its use.

The lenders must undertake a thorough risk assessment, verifying a borrower's loans application documents.

"If a lender finds the borrower's credit standard is worsening, or the loans have been misused, the lender can suspend the loan extension," said the statement.

The regulation is scheduled to come into effect three months from Thursday.