Greater supervision for non-banking financial institutions: CBRC

The China Banking Regulatory Commission (CBRC) announced Tuesday that it will redouble its efforts to monitor possible risks brought on by non-banking financial institutions, according to the Wall Street Journal.

Cai Esheng, vice chairman of the CBRC, stated on the commission's website Tuesday that it will focus on supervising the cooperation between banks and trust companies, and trust companies and local governments.
The supervision will also cover platform-financing and debt risks.

Trust companies have a special place in the Chinese financial system because they have greater freedom for investment flows, as their capital mainly comes from business investors and wealthy individuals.

Compared with trust companies in other countries, the operation model for Chinese trust companies is similar to that of hedge funds. Previously Chinese trust companies were not strictly supervised like other organizations.

But at the end of 2009, trust companies became the CBRC's new target for monitoring due to the increase in debt risks from trust companies to investment platforms of the local governments, said Tang Liqiong, an analyst at Shanghai Benefit Investment Consulting.

High risks in investment platforms of local governments may lead to losses in commercial banks and public finance.

Source: Global Times