

Notice of the China Banking Regulatory Commission on Issuing the First Batch of Guidelines on Supervising the Implementation of the New Capital Accord

All departments under the China Banking Regulatory Commission, all offices of the boards of supervisors, all banking regulatory bureaus, policy banks, state-owned commercial banks, and joint stock commercial banks, and the China Postal Savings Bank:

For purposes of promoting the preparatory work for the implementation of the new Basel Capital Accord, and ensuring the new capital accord is implemented as scheduled by the end of 2010, the China Banking Regulatory Commission formulated the first batch of guidelines on supervising the implementation of the new capital accord, including the Classification Guidelines on the Credit Risks Exposure of the Bank Accounts of Commercial Banks, Guidelines on Supervising the Internal Rating System of the Credit Risks of Commercial Banks, Guidelines on the Measurement of the Regulatory Capital of the Professional Loans of Commercial Banks, Guidelines on the Measurement of the Regulatory Capital for Credit Risk Mitigation of Commercial Banks, and the Guidelines on the Measurement of the Regulatory Capital of Operational Risk of Commercial Banks (hereinafter referred to as the five guidelines on supervision), which are hereby issued to you, and the relevant matters are informed as follows:

I. The five guidelines on supervision are an important part of the matching supervision system for the implementation of the new capital accord, and the CBRC will release other guidelines on supervision in the future. In the five guidelines, the measurement methods related to the regulatory capital shall come into force on the date when the banks obtain the approval from the CBRC to implement the new capital accord, and the supervision requirements and technical norms related to the risk exposure classification, internal rating system, professional credit rating, credit risk mitigation management and operational risk management shall come into force on October 1, 2008.

II. The banks implementing the new capital accord shall conduct an assessment to see if they have reached the standards stipulated in the five guidelines so as to ensure that supervision meets the requirements of the provisions. The relevant technical norms and supervision standards established by the five guidelines are the minimum requirements to be met by the new capital accord banks. The new capital accord banks shall conduct a compliance assessment according to the five guidelines item by item, and shall formulate a feasible plan for meeting the requirements within the prescribed time limit for the fields and links that failed the requirements. For the supervision standards that are unclear yet, the new capital accord banks shall initiatively communicate with the regulatory departments, and reach a consensus as soon as possible. From the fourth quarter of 2008, the new capital accord banks shall carry out an assessment by the quarter according to the relevant guidelines released by the CBRC, and establish detailed files of assessment. The new capital accord banks shall submit their assessment reports on meeting the requirements of the first five guidelines on supervision to

the CBRC before the end of 2008.

III. Strengthening the relevant training work, and ensure that there are sufficient talents in place for the implementation of the new capital accord. The regulatory departments, the banking regulatory bureaus and the new capital accord banks shall take advantage of the release of the five guidelines to strengthen the training of the supervisors and employees. The CBRC shall be responsible for the training of the supervisors of the CBRC, the persons-in-charge of the banking regulatory bureaus, and the directors and senior managers of the new capital accord banks. The banking regulatory bureaus shall be responsible for the training of the supervisors within their jurisdiction. The training of the new capital accord banks shall cover the senior management at all levels, the staff in the main business lines and all the staff in the risk management line.

IV. Carrying out a comprehensive quantitative impact test, and strengthening the supervision and examination on the preparatory work for the implementation of the new capital accord. The CBRC will conduct a quantitative impact measurement and calculation on the new capital accord banks as of 2009, and incessantly monitor the impact of implementation of new capital accord on the capital adequacy ratio. The new capital accord banks shall make good preparations with respect to the relevant data and information system. The regulatory departments and the banking regulatory bureaus shall take preparation for the implementation of the new capital accord banks as an important part of their agenda in the supervision work of the following years, conduct regular meetings with the new capital accord banks, and continually supervise the progress of the preparatory work for the implementation. In the first half of 2009, the on-the-spot assessment on the two new capital accord banks shall be completed, and in the second half of 2009, the first round on-the-spot assessment on the banks planning to implement the new capital accord by the end of 2010 shall be completed.

V. The banking regulatory bureaus shall transmit the five guidelines on supervision to the urban commercial banks, rural commercial banks, rural cooperative banks and foreign corporate banks within their jurisdictions. The CBRC shall encourage the banks which do not plan to implement the new capital accord for the time being to improve their risk management in light of the five guidelines on supervision.

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