

## **Xiang Junbo: The establishment of the PBC Shanghai Head Office**

Speech by Mr Xiang Junbo, Deputy Governor of the People's Bank of China, at the inauguration ceremony of the People's Bank of China Shanghai Head Office, Shanghai, 10 August 2005.

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Honorable General Secretary Chen,  
Honorable Mayor Han,  
Dear guests,  
Ladies and Gentlemen,

Today, we are here to celebrate the inauguration ceremony of the People's Bank of China Shanghai Head Office. The setup of the PBC Shanghai Head Office is an important decision made by the CPC Central Committee and the State Council to further improve our central bank system in the new situation, an important institutional arrangement to enhance the role of the central bank in macro-economic management, and also a significant initiative facilitating the building of Shanghai into an international financial center. Now let me, on behalf of the People's Bank of China, express our sincere gratitude to all departments of the CPC Central Committee, the State Council, the CPC Shanghai Committee, Shanghai Municipal Government and various social circles for your support in preparing the establishment of the PBC Shanghai Head Office.

Since China adopted the reform and opening-up policy, and with the gradual improvement of the socialist market economy, the central bank system in China has been constantly improved. In 1984, the State Council decided to have the PBC function as a central bank. The Law of the People's Republic of China on the People's Bank of China passed by the Third Plenum of the Eighth National People's Congress in 1995 legally confirmed the PBC's central bank status. In 1998, the CPC Central Committee and the State Council decided to reform the administrative system of the central bank by dismantling provincial branches and setting up regional branches, which further strengthened independence of the central bank. As an integral part of the PBC Head Office, the Shanghai Head Office will operate under the guidance and authorization of the PBC Head Office in Beijing. Its major responsibilities include part of the central bank operational functions and some of the administrative functions.

The establishment of the PBC Shanghai Head Office will help the central bank to further improve its decision-making and operational system, and strengthen its macroeconomic management capacity. Since China's accession to the WTO, China's opening to the outside world has escalated and the economy has become increasingly market-oriented. The consequent profound changes occurring in the financial industry have given rise to higher uncertainties in the economic and financial development, posing new challenges to the central bank's macro-economic capability. By shifting part of its operational functions to the PBC Shanghai Head Office and leaving the Head Office in Beijing with decision-making and policy formulation responsibilities, we can take advantage of the human resources in Shanghai to build a team of experts good at central bank operations, financial market analysis and financial products development, and form scientific and rational labor division in terms of policy decision procedure and administrative methods, so as to further strengthen the professional capacity of the central bank in macro-economic management.

The establishment of PBC Shanghai Head Office will enable the PBC to take advantage of the direct access to financial markets to improve the role of the central bank in macro-economic management and financial services, particularly efficiency of financial market services. At present, the nation-wide unified inter-bank market, bond market, foreign exchange market as well as the gold market, futures market and Shanghai Stock Exchange are all located in Shanghai. These markets not only form the most important markets where financial institutions, enterprises and households manage financial assets and make investment, but also serve as the platform for the central bank to conduct market operations and implementing macro-economic management policies. Setup of the PBC Shanghai Head Office will enable the PBC to obtain first-hand information on market development and give feedback directly, accurately grasp the pulse of market development and conduct monetary operations and take fine-tuning measures in a timely and effective manner, so as to enhance the efficiency of macro-economic management and financial services.

Establishment of the PBC Shanghai Head Office will expand the influence of Shanghai as a financial market and speed up the building of Shanghai as an international financial center, which is an important strategic decision made by the CPC Central Committee and the State Council from the

overall viewpoint of advancing China's socialist modernization process. In the early 1990s, Mr. Deng Xiaoping said that China had to depend on the development of Shanghai to enhance the international competitiveness of its financial industry. In his visit to Shanghai in July 2004, President Hu Jintao called for continued efforts to make Shanghai an international center for global economic, financial, trade and marine transportation activities. International experiences show that the setup of central bank headquarters goes hand in hand with development of international financial centers. The opening of PBC Shanghai Head Office will facilitate financial innovation and financial market development, give impetus to the development of commercial financial institutions, and enhance the influence of Shanghai as an international financial center on domestic financial sector and the financial development in the Asian-Pacific region.

The CPC Shanghai Committee, Shanghai Municipal Government, financial regulatory institutions in Shanghai, and policy and commercial financial institutions have always supported the PBC in carrying out its work, which guaranteed the effective operation of the institutions of the PBC in Shanghai. The newly founded PBC Shanghai Head Office will also need attention and support from all of you. By making continued efforts to improve financial services, the PBC will seek to make new contributions to economic development and financial stability.

Thank you!