Pan Gongsheng: China's macroprudential management system - development practice and future evolution

Keynote speech by Mr Pan Gongsheng, Governor of the People's Bank of China, at the Annual Conference of the Financial Street Forum 2025, Beijing, 27 October 2025.

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Honorable Vice Premier He Lifeng, Party Secretary Yin Li, Mayor Yin Yong, and dear guests,

Good afternoon.

The important remarks that Vice Premier He just delivered provide significant guidance for our study and implementation of the guidelines made at the fourth plenary session of the 20th Central Committee of the Communist Party of China (CPC), for our accurate grasp of the situation and tasks, and for the solid work to be done to carry out macro regulation in the 15th Five-Year Plan period and fulfill the goals regarding financial development, opening-up, and stability. We will see to its implementation.

I want to express thanks to the CPC Beijing Municipal Committee and the Beijing Municipal Government, in particular Party Secretary Yin Li and Mayor Yin Yong, and also to the general public for the constant attention and support you have given to the work of the PBOC.

To begin with, I'd like to address a few key concerns that have recently attracted market attentions.

First, on the appropriately accommodative monetary policy. Over the past year, in a complex and severe domestic and international environment, we have maintained a supportive monetary policy stance in accordance with the decisions and arrangements of the CPC Central Committee and under the guidance of Vice Premier He. Using a mix of quantitative, price-based, and structural monetary policy tools, we have kept liquidity adequate. The major macro-financial indicators reflecting financial operations also demonstrate the state of an appropriately accommodative monetary policy. As of end-September, the AFRE grew by 8.7 percent, M2 increased by 8.4 percent, and loans rose by 6.6 percent on a year-on-year basis. Excluding the impact of local government debt swaps, loan growth stood at around 7.7 percent. The overall financing cost of the real economy has remained at a historically low level, creating a favorable monetary and financial environment for China's economic recovery and sound operation of financial markets.

We will continue to maintain a supportive monetary policy stance, implement an appropriately accommodative monetary policy, and make comprehensive use of various monetary policy tools to provide short-, medium-, and long-term liquidity arrangements, thereby keeping overall financing conditions relatively accommodative. At the same time, we will further improve the monetary policy framework and strengthen the implementation and transmission of monetary policy.

Second, on the PBOC's purchase and sale of government bonds in the open market. Last year, in implementing the decisions of the Central Financial Work Conference, we began conducting operations involving the purchase and sale of government bonds in the secondary market. This is an important move to enrich the monetary policy toolkit, enhance the financial function of government bonds, strengthen the role of the government bond yield curve as a pricing benchmark, and promote better coordination between monetary and fiscal policies. It also benefits the reform and development of China's bond market and helps financial institutions improve their market-making and pricing capabilities. In practice, the PBC has flexibly conducted two-way government bond transactions based on the needs for base money supply, while taking into account bond market supply and demand as well as changes in the yield curve, so as to ensure smooth monetary policy transmission and stable operation of financial markets. Early this year, considering the pressure of bond market supply-demand imbalances and the accumulation of market risks, we suspended the purchase and sale of government bonds. Currently, as the bond market is generally operating well, we will resume open market operations involving government bond trading.

Third, on e-CNY and virtual currencies issued by market institutions. E-CNY is a digital fiat currency issued and regulated by the PBOC, using emerging technologies such as distributed ledgers. With prudent development in recent years, the e-CNY ecosystem has preliminarily come into shape. Going forward, the PBOC will further optimize the e-CNY management system, work on improving the positioning of e-CNY among different measures of money supply, and support the licensing of more commercial banks as e-CNY business operators. We have launched in Shanghai the E-CNY International Operation Center, which focuses on e-CNY cross-border cooperation and use, while the E-CNY Operation Management Center, located in Beijing, is responsible for the building, operation, and maintenance of the e-CNY system so as to promote e-CNY development and contribute to the building of the national financial management center in Beijing.

The recent years have seen the continuous emergence of various virtual currencies issued by market institutions, stablecoins in particular. On the whole, however, they are still at an early stage of development. International financial organizations, central banks, and other financial regulators generally remain prudent towards stablecoins. At the IMF/World Bank Annual Meetings held in Washington, D.C., ten days ago, stablecoins and their potential financial risks were among the topics most talked about by finance ministers and central bank governors. The prevalent view is that, as a form of financial activity, stablecoins at present cannot duly meet the basic requirements for client identification and anti-money laundering, so that they have amplified the loopholes in global financial regulation, such as those associated with money laundering, illicit cross-border fund transfers, and terrorist financing. Amplified by market speculation, stablecoins have increased vulnerabilities to the global financial system and are even posing a challenge to the monetary sovereignty of some less developed economies.

Since 2017, the PBOC, in collaboration with relevant authorities, has issued a number of policy documents to prevent and cope with domestic risks arising from speculative trading of virtual currencies. Up till now, these policy documents have remained valid. Going forward, the PBOC will work with law enforcement agencies to continue cracking down on the operation and speculation of virtual currencies in China so as to maintain economic and financial order. At the same time, we will keep a close watch on the development of stablecoins overseas to make dynamic assessments.

Fourth, on considering a policy measure to support individuals in repairing their credit records. The credit reporting system operated by the PBOC is a critical piece of financial infrastructure. It records financial defaults by both enterprises and individuals, and is utilized by financial institutions for queries and risk assessments when conducting business. For over two decades, it has played a vital role in building China's social credit system and preventing financial risks. According to the *Regulations on the Administration of the Credit Reporting Industry*, default records are maintained in the credit reporting system for five years. In recent years, due to force majeure events such as the COVID-19 pandemic, some individuals experienced debt repayment delays. Even though these debts were later repaid in full, the associated credit records continue to negatively impact their economic lives. To help individuals restore their credit records more quickly, while preserving the constraining effect of default records, the PBOC is developing a one-time personal credit relief policy. Under this policy, certain default information-specifically, defaults since the pandemic that fall below a specified amount and where the loan has been repaid-will not be displayed in the credit reporting system. After completing the necessary procedures, the PBOC will collaborate with financial institutions to make the required technical preparations. This policy measure is planned to be implemented early next year.

My speech today will then focus on "China's Macroprudential Management System: Development Practice and Future Evolution".

As required by the 19th CPC National Congress to improve the framework of regulation underpinned by the twin pillars, namely monetary policy and macroprudential policy, work has moved on in an orderly manner in recent years and major progress has been achieved. The lately held fourth plenary session of the 20th CPC Central Committee has further set out requirements on establishing a scientific and sound monetary policy system and a comprehensive macroprudential management system. At the Lujiazui Forum last June, I made a systematic introduction to the future evolution of China's monetary policy framework. Today, I'd like to share with you some thoughts on the development of China's macroprudential management system.

I. Macroprudential Management: Inherent Logic and China's Practice

In the wake of the 2008 global financial crisis, amid reflections on its causes and the lessons to learn, the international community came to realize that the soundness of individual financial institutions does not stand for the soundness of the financial system as a whole. Therefore, there is a need to make up for the inadequacies of microprudential regulation by strengthening macroprudential policy response and preventing procyclical accumulation of financial risks as well as their contagion across institutions, markets, sectors, or borders. Accordingly, strengthening macroprudential management has become a core element of international financial regulatory reform.

Under the G20 framework, international organizations and major economies have made sustained efforts to establish and improve macroprudential management policy frameworks, to reform financial regulatory rules, and to enhance monitoring and assessment of systemic financial risks. Given their roles as macro regulators, financial regulators, and lenders of last resort for the financial system, central banks in general have taken on major responsibilities in the macroprudential management systems of different countries.

After years of practice, macroprudential management systems that are highly operational have initially taken shape across the globe. In response to the severe impact from the COVID-19 outbreak in 2020, apart from supportive monetary policies, major economies generally adopted macroprudential policy measures, such as relaxing countercyclical capital buffers and regulatory liquidity requirements. Since the end of the pandemic, their macroprudential policy stance has been getting back to neutral. With its impressive flexibility, macroprudential management has not only contributed to the resilience and soundness of the global financial system but also expanded the room and capacity for countercyclical adjustments.

Monetary policy, macroprudential management and microprudential regulation have their own focuses. **Monetary policy** focuses on macro economic development and aggregate demand management. It is aimed at creating a favorable monetary and financial environment for steady economic growth and smooth market functioning by smoothing out cyclical fluctuations with counter-cyclical adjustments. **Microprudential regulation** mainly focuses on the operations of individual financial institutions. It is aimed at ensuring prudent and sound operations of financial institutions with multiple regulatory tools. **Macroprudential management** focuses on the financial system and systemic risks. It is aimed at safeguarding the overall stability of the financial system, blocking or weakening procyclical self-reinforcing of the financial system as well as risk contagion across institutions and markets. **From a cross-temporal perspective,** macroprudential management restrains pro-cyclicality of the financial system by imposing dynamic counter-cyclical requirements on indicators such as capital level, leverage ratios, among others. **From a cross-spatial perspective,** macroprudential management prevents risks from spreading across institutions, markets, sectors and borders by strengthening supervision over systemically important financial institutions (SIFIs) and enhancing macroprudential management of the financial markets. Monetary policy, macroprudential management and microprudential regulation have some overlaps in their tools, and they complement each other. For instance, capital adequacy ratio (CAR) is a microprudential regulation tool, while additional capital regulation is a macroprudential management tool. Provision coverage is a microprudential regulation tool which follows accounting standards and expected loss models, while provision is a macroprudential management tool when it is used for counter-cyclical adjustments during the upswing or down cycle of economic development and bank profits.

China is an early starter in exploring and practicing macroprudential management. As early as 2003, China introduced the policy of minimum downpayment ratio in the real-estate financial sector for the first time. After the global financial crisis in 2008, China pioneered in developing a macroprudential policy framework. Later, a practical approach to macroprudential management with Chinese characteristics gradually took its shape.

In terms of the governance mechanism for macroprudential management, the centralized and unified leadership of the CPC Central Committee has been strengthened, and the responsibility for macroprudential management undertaken by the PBOC has been enhanced. At the inter-ministerial level, under the approval of the State Council, the Inter-ministerial Joint Conference Mechanism for Financial Regulation Coordination led by the PBOC was established in 2013. In 2017, Financial Stability and Development Committee (FSDC) under the State Council was established. In 2023, Central Financial Commission was established, and coordination was gradually enhanced. **At the ministerial level,** the national financial work conference in 2017 and the institutional restructuring plan approved by the CPC Central Committee in early 2019 made it clear that the PBOC should be responsible for macroprudential management, lead the efforts of developing a macroprudential policy framework, and set up Macroprudential Policy Bureau as one of its internal departments.

In terms of the macroprudential management policy system, the PBOC has made exploration and achieved progress from multiple dimensions. First, the *Macroprudential Policy Guidelines* was issued in 2021, which specified the approach and policy framework for macroprudential management. **Second,** a differentiated required reserve framework was established in 2003. A dynamic adjustment mechanism was introduced in 2010, and it was further upgraded into macroprudential assessment (MPA) in 2016. The MPA relates credit supply with financial institutions' capital levels and economic growth, effectively promoting stable growth in money and credit. **Third,** the overall regulatory framework for SIFIs has been established and improved. In collaboration with financial regulatory authorities, the PBOC has issued a series of documents, including the *Guidelines on Improving the Regulation of Systemically Important Financial Institutions*, the *Assessment Methodology for Systemically Important Banks*, the *Supplementary Regulatory Rules for Systemically Important Banks*, the *Management Measures for the Total Loss-Absorbing Capacity of Global Systemically Important Banks*, and the *Assessment Methodology for Systemically Important Insurers*. These measures implement requirements such as additional regulation and recovery and resolution plans (RRPs) for systemically important banks (SIBs). Currently, China has five global SIBs and 20 domestic systemically important commercial banks. Their combined assets account for approximately 70% of the total assets in our banking sector. **Fourth,** tools such as the macroprudential adjustment parameter for cross-border financing was launched to implement counter-cyclical adjustment for cross-border capital flows. **Fifth,** macroprudential management of financial markets was explored. This involves dynamically monitoring and assessing the operation of the bond market, strengthening risk warnings to financial institutions, and blocking or mitigating the accumulation of risks. In collaboration with China Securities Regulatory Commission (CSRC), the PBOC launched two monetary policy instruments to support the capital market. We have upheld the decisive role of the market in exchange rate formation, maintained the general stability of the RMB exchange rate at an adaptive and equilibrium level, and guarded against the risk of sharp fluctuations. **Sixth,** the macroprudential management of real estate finance was improved. Policy tools such as downpayment ratios and mortgage rates were dynamically adjusted. **Seventh,** a regulatory framework for financial holding companies was established, and market access and supervision of such companies were conducted in accordance with the law. This responsibility has now been transferred to the National Financial Regulatory Administration. **Eighth,** market expectation management has been enhanced. When financial markets witnessed significant volatility, we have communicated proactively with the market to promptly correct market "herd effects" and firmly maintain stability in the stock, bond, and foreign exchange markets.

II. Evolution of China's Macroprudential Management System

The formulation and implementation of monetary policy is a traditional responsibility of central banks, and the institutional arrangements are well-defined. By contrast, although macroprudential management has been widely adopted around the world, its implementation started late and remains in an exploratory phase. It is put forward in the Proposals for Formulation the 15th Five-year Plan that a comprehensive macroprudential management system should be established. The key work priorities are as follows.

First, the macroprudential management system should better capture the interconnection between macro economic performance and financial risks. High-quality development of macro economy is the foundation for the stable performance of financial markets as well as the sound operation of individual financial institutions. We should closely monitor and assess the macro economic developments, and maintain a dynamic balance among economic growth, economic restructuring and financial risk prevention from a macro perspective. We should also continue to promote high-quality economic development, and prevent and resolve systemic financial risks at their source.

Second, the macroprudential management system should better reflect financial market dynamics. With the advancement of the financial modernization drive, China's financial system has evolved from the one focusing on traditional banking institutions to a modern multi-tiered financial market system. The complexity and interconnectedness of the financial system have increased substantially. The coverage of the macroprudential management system should be broadened constantly in line with the financial market developments, so as to enhance the resilience of the financial system.

Third, the macroprudential management system should better cover the SIFIs. SIFIs are large in scale and highly interconnected. Their distress would have severe spillover effects. In recent years, major economies had generally strengthened macroprudential management on SIFIs, expanding the coverage from the banking sector to non-banking financial institutions. We should comprehensively assess and designate SIFIs, including systemically important banks and insurers as well as financial infrastructures. Apart from routine regulation, additional regulatory measures that are commensurate with their systemic importance should also be adopted.

Fourth, the macroprudential management system should better address the spillover effects of global economic and financial risks. Due to strong interconnections and rapid information dissemination on global financial markets, financial risks are prone to cross-border transmission and spreading. At 2025 annual meetings of the IMF/World Bank, the participants were concerned about the government debt risks of major economies and the potential impacts on global financial markets, and thus early risk warnings have been enhanced. We should strike a proper balance between internal and external equilibria, conduct dynamic assessments and effectively respond to the implications of monetary policy, trade policy, and sovereign debt risks of the major economies as well as geopolitical changes on China's economy and financial markets.

III. Accelerating the establishment of a comprehensive macroprudential management system

The macroprudential management system is a complete set of institutional arrangements which plays a positive role in preventing systemic financial risks. Going forward, the PBOC will prioritize efforts in the following four key areas.

First, we will strengthen the systemic financial risk monitoring and assessment framework. In terms of risk monitoring, we will continuously improve the national financial database's capacity for dynamic risk monitoring in key areas, and bring into full play the interbank market depository in conducting high-frequency aggregation and monitoring of financial market trading activities. **As for assessments,** in 2016, the PBOC established the MPA, which is oriented at monetary policy. We are studying the possibility of splitting the MPA into two parts. One focuses on assessing the implementation of monetary policy, while the other targets macroprudential and financial stability assessment, and serves macroprudential management. A preliminary plan has now been formulated and will be implemented after we communicate with financial institutions and make improvements to it.

Second, we will improve and strengthen the measures to prevent the risks of key institutions and key areas. We will give full play to the role of counter-cyclical capital buffer, RRPs, among others, to strengthen the additional regulation over the **SIBs**. We will release a list of **systemically important insurers (SIIs)** at an appropriate time to promote the implementation of additional regulation. The macroprudential management function of the central bank in maintaining the stability of **financial markets** will be expanded. We will pay special attention to the leverage level and maturity mismatch of financial institutions, timely prevent the accumulation of liquidity risks and interest risks in financial markets, and contain "herd effects" in the financial markets. The supervision over financial market infrastructure will be improved, and the mechanisms of liquidity risk constraint and liquidity support for central counterparties will be established. We will continue to refine the macroprudential management of cross-border capital flows, and adopt the counter-cyclical adjustment measures as appropriate to maintain the generally stable **cross-border capital flows**. We will also advance the macroprudential management of **real estate finance**, improve the analysis structure of real estate finance, and optimize the basic institutional arrangements in this area.

Third, we will continue to enrich the policy tools of macroprudential management to make them more systemic, standardized and practical. After years of practice and accumulation, the PBOC has established a well-fledged tool system for macroprudential management and financial stability. **For financial institutions,** we have tools such as additional capital requirements and additional leverage ratios for SIBs, central bank's rating, stress testing, leverage ratio constraint, counter-cyclical capital buffer, counter-cyclical provision adjustment, total loss-absorbing capacity, RRPs for SIFIs, risk-based deposit insurance premiums, among others. **For financial markets,** we have risk reserve for forward foreign exchange sale, macroprudential adjustment parameter for cross-border financing, and other tools in the foreign exchange market. For the bond market, there are leverage level, maturity mismatch management, window guidance, and other tools. For the stock market, there are two monetary policy tools to support the stable development of capital market, and we support Central Huijin Investment in serving as a quasi-stabilization fund. What is in our mind now is we should take a holistic approach to balancing smooth operation of financial markets and prevention of moral hazard in financial markets, and we should explore for a mechanism for providing liquidity to non-banking institutions under certain circumstances. **For real estate finance,** there are mainly downpayment ratio, interest rate, risk weight of mortgage, household debt-to-income ratio, among others. **For risk resolution resources,** there are deposit insurance fund, financial stability fund, among others, and the PBOC fulfills its obligation as the lender of last resort. We will continue to enrich the policy tools of macroprudential management, and evaluate and optimize these tools on an ongoing basis.

Fourth, we will continue to improve the governance mechanism for macroprudential management to make it coordinated and efficient. Coordination is essential to macroprudential management. At the beginning of this year, the PBOC established the Macroprudential and Financial Stability Committee, aiming to strengthen the analysis, research, communication, coordination, and implementation of the major issues concerning macroprudential management and financial stability. Moving forward, under the leadership of the CPC Central Committee, the PBOC will strengthen monetary policy, macroprudential management and microprudential regulation, and it will enhance their coordination with fiscal policy and industrial policy so as to create a synergy. We will ensure strict implementation of financial and economic disciplines, market disciplines, and regulatory rules so as to prevent risk spillover and moral hazard. We will accelerate the legislation of and amendment to *the Law of the People's Republic of China on the People's Bank of China* and *the Law on Financial Stability*, among others, to strengthen the legal guarantee for macroprudential management.

The establishment of a macroprudential management system is an ongoing and dynamic process, and it is also a systematic project that requires joint efforts and efficient collaboration. Conscientiously implementing the requirements of the 15th Five-Year Plan, the PBOC will work with all parties concerned to accelerate the efforts to establish a comprehensive macroprudential management system, so as to promote the high-quality economic and financial development.

To conclude, I wish the forum a complete success. Thank you!