

own toes,” the commentary stated, and it noted all the measures taken by the government since the end of 1992 to regulate “China’s changing financial system.”

### The steps to be taken

*People’s Daily* then listed the steps to be taken to bring the system under control. “It is imperative to do a good job of the following work based on the principle of *strengthening supervision, increasing supply, giving correct guidance, and maintaining stability*. . . . First, a general investigation will be carried out across the country to spot illegal and irregular activities in stock trading. . . . Second, *cases of irregularities will continue to be dealt with publicly*. . . . Third, *it is necessary to implement a system of setting limits for price fluctuations, and improving and perfecting the system of open market information*” (emphasis in original).

Control of the media, strengthening risk management, and increasing supplies to meet the demand of mass investors will also be carried out. But, *People’s Daily* urged, “bank savings are still a stable and most reliable means of investment.” Indeed, savings remain the preferred method of Chinese for investing their money. Savings deposits increased to RMB 3,791.7 billion (\$475 billion) by the end of November 1996, up 31.5% from January.

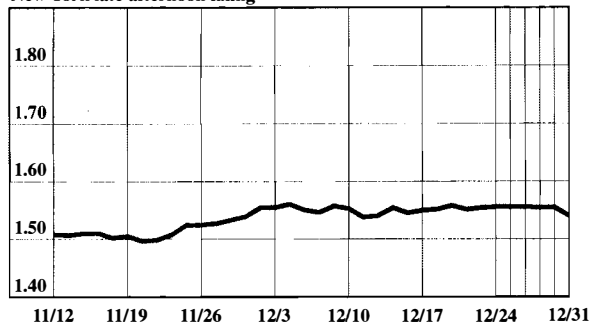
The current crackdown on speculation follows the move by the central bank, the People’s Bank of China, to close down 133 of 570 “non-bank” financial institutions Nov. 9. Another 58 of these “para-bank” institutions have had their permission to operate suspended until further clarification, while the rest will be allowed to re-register and continue operations.

These measures were the result of an investigation carried out under the July 1995 banking law, under the direction of Zhu Rongji, during summer 1996. Among the institutions closed, or threatened with closure, are “subsidiaries” of the four biggest state-run banks in China (the Bank of China, People’s Construction Bank, Agricultural Bank, and the Industrial and Commercial Bank), as well as numerous smaller provincial and city “credit cooperatives,” which have set up these “para-banks” as the result of the strict credit controls imposed in 1993. The People’s Bank issued regulations to increase supervision of such financial firms, and foreign-funded financial companies in China. Only very sound corporations will be allowed to set up financial institutions: They must have total assets of at least 1.5 billion yuan (\$180 million), annual business income of 5 billion yuan, and profits of no less than 200 million yuan. Minimum assets of the financial firms must be 100 million yuan. While they are allowed to offer credit, settlement, and other services, including floating bonds approved by the central bank, they are forbidden to conduct transactions in futures, stocks, and other money-generating operations. Real estate investment is limited to the institution’s own use, and they cannot buy shares or bonds not issued by their own member units.

## Currency Rates

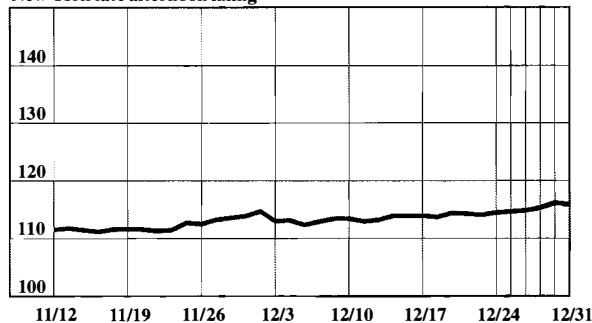
### The dollar in deutschemarks

New York late afternoon fixing



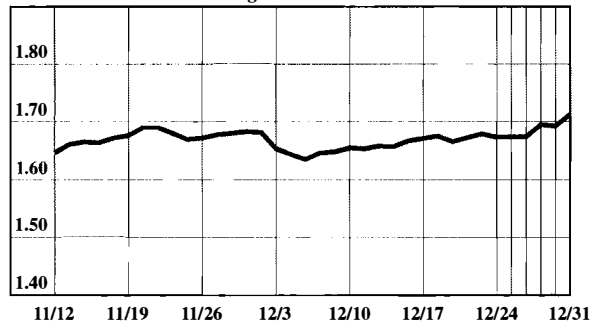
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

