**Shanghai Municipal Financial Services Office**

**Shanghai Branch, People’s Bank of China**

**Shanghai Office, China Banking Regulatory Commission**

**Opinions on Improving Financial Credit Service and Optimizing Business Environment**

**Shanghai Municipal Financial Services Office Document No.45, 2018**

To whom it may concern:

The following opinions are proposed to promote financial service innovation, improve the availability of financial credit service and streamline procedures, thus shaping Shanghai into a more dynamic, efficient and open international market with effective regulation and favorable business environment and helping cementing Shanghai’s role as an international hub for finance, economy, trade, shipping and scientific innovation:

**I. Build a more open and innovative financial market, extend credit funding sources and supplier base**

**1. Promote financial market accessibility and innovation in the Shanghai Pilot Free Trade Zone.** More efforts should be put into streamlining procedures for investment and financing activities, promoting macro-prudential administration of cross-border financing in both local and foreign currencies, extending the cross-border use of Renminbi to expand the base of FTZ account holders and the financing function of local and foreign currencies, and exploring cross-border cash pooling and pioneering discount overseas loans in Renminbi. Policy measures in favor of building a free trade port via financial activities should be adopted to provide more efficient cross-border financial services featuring the integration of local and foreign currencies.

**2. Build more accessible financial market.** We encourage qualified private capital to, in accordance with laws and regulations, set up private banks, financial leasing companies, finance companies, auto finance companies, consumer finance companies, and other financial institutions. Restraints should be relaxed to allow more qualified foreign financial institutions to access the banking market. At the same time, more efforts need to be put in to improve credit services of foreign financial institutions. We encourage countries and regions along the Belt and Road to set up financial institutions in Shanghai and develop a credit service system catered to the Initiative, thus providing quality and efficient financial services to companies trying to go global under the Initiative.

**II. Improve financial credit policy to ensure higher availability**

**3. Enhance differentiated currency credit policy and regulatory policies.** We should cut the targeted reserve requirement ratio for financial institutions that offer a certain amount of inclusive finance loans, including small and micro enterprise loan, private business operating loan, small and micro business owner operating loan, farm operating loan and entrepreneurship secured loan in an amount of RMB 5 million or less per account. In doing so, we aim to encourage the Shanghai branches of major banks to set up inclusive finance division under the guidance of their headquarters. Regulatory measures should be implemented to ensure more tolerance for non-performing loans with regard to small and micro enterprises, tech startups and agriculture, farmers, and rural areas (“three rural issues”). Meanwhile, the due diligence arrangement should be implemented with more support for the renewal of such loans. A statistical indicator and evaluation system covering the availability, usage and service of inclusive finance should be set up to measure, analyze and give an insight into the general development of inclusive finance in Shanghai.

**4. Promote financial services to aid science and technological innovation.** The investment-loan linkage pilot will be further explored and commercial banks are encouraged to cooperate with equity investment institutions and set up investment subsidiaries. To cater to tech startups, banking institutions should develop specialized organizational structure, professional operation and management team, dedicated risk management system and technical know-how, independent administrative information system, targeted incentive and appraisal mechanism and specialized client credit review criteria. Meanwhile, financial institutions are encouraged to develop innovative intellectual property financial services, optimize intellectual property pledge financing procedures and launch innovative products including performance guarantee insurance loan.

**5. Strengthen financial services related to the three rural issues.** A comprehensive municipal agricultural credit guarantee system should be established to expand the coverage and the service scope of guarantee funds. Rural land management right mortgage loan should be piloted and rural property right mortgage loan should be explored. We need to step up efforts in facilitating rural banks in their development and enhancing the administration and operation mechanism for financial services related to the three rural issues. Furthermore, more self-service terminals should be installed in rural areas to allow rural clients more convenience in credit fund withdrawal, repayment and inquiry.

**6. Reduce the cost of enterprises in credit services.** We need to urge financial institutions to abide by relevant regulations on handling charges so as to eliminate and regulate the incidental charges incurred during the financing procedures. Development and policy banks are encouraged to cooperate with other banking institutions via providing loans from wholesale funding sources, thus reducing the loan cost for small and micro enterprises. Via refinancing activities, we should reduce, to a reasonable extent, the financing cost for key projects (projects that reduce unemployment) and labor-intensive small and micro enterprises. Furthermore, the FTZ account system will be improved to encourage financial institutions and enterprises to attract low cost overseas capital.

**7. Strengthen the role of policy financing guarantee funds for Shanghai-based SMMEs.** Better administrative system of the municipal policy financing guarantee funds will be adopted, lifting certain restrictions on guarantees, thus optimizing operation rules, reinforcing cooperation with financing guarantee companies, boosting flexibility and motivating cooperating banks and financing guarantee companies. We also encourage innovation in guarantee business. With improved re-guarantee cooperation plan, we will expand the scope of policy guarantee as well as the scale of financing guarantee.

**8. Make full use of the credit risk compensation and reward policies for Shanghai-based small and micro enterprises.** The government funds will provide incentives for the implementation of credit risk compensation and reward policies for small and medium tech enterprises, and small and micro enterprises, and guide commercial banks in financial product and service innovation. We should issue more loans for small and medium tech enterprises, and small and micro enterprises and exercise more tolerance with regard to non-performing loans of these entities.

**9. Set up a diverse credit service platform.** We encourage science parks and makerspaces to set up a variety of tech financing service platform, to offer financing counseling and processing, to promote relevant policies and to coordinate financial innovation, all to enable effective integration of production and financing. We support the Administrative Committee of the Zhangjiang High-Tech Park in setting up a general public service platform for enterprise credit record in the Zhangjiang Pilot Zone, developing the “Zhangjiang Model” for assessing enterprise credit, and enhancing communication between financial institutions and enterprises.

**III. Develop a sound financial credit system and strengthen credit information application**

**10. Reinforce credit infrastructure.** We will upgrade and optimize the Basic Database of Financial Credit Information of the People’s Bank of China (the “PBC”), expanding the coverage of information collection and credit report. The special fund for the development of national and municipal service industry should be appropriated to help build the second-generation credit reference system at the PBC Credit Reference Center. A unified registration system for movables financing and a financing service platform for account receivables should be established and the procedures for financial leasing registration and inquiry should be issued. Monitoring and analysis platform for new financial services should be built to carry out real-time monitoring and analysis of new types of financial institutions. We will continue to improve the Shanghai municipal public credit information service platform, with a focus on public information collection and use as well as service functions, in order to establish “1+16+N” credit platform framework.

**11. Enable credit information sharing.** Credit information platforms and entities should strengthen information exchange and sharing to facilitate financial institutions in credit product and service innovation. Via direct system link, a range of non-banking information of Shanghai-based enterprises including electricity bill arrears and housing fund contribution should be included in the Basic Database of Financial Credit Information. Meanwhile, we will continue to incorporate small loan companies and financing guarantee companies into the Basic Database of Financial Credit Information.

**12. Strengthen credit information application.** Financial institutions are encouraged to launch financing credit granting services based on client credit profile and rating, providing companies and individuals with good credit history with more incentives and favorable conditions regarding credit line, credit cost and repayment methods. Credit information generated in lending, trading, investment and other financial activities should be developed and used more extensively in administration, production and operation, trade and negotiation and other socioeconomic activities at large.

**13. Aid the development of credit service institutions.** We should introduce to the market and encourage the development of a number of credit service institutions, such as credit rating agencies and commercial credit reference institutions, with excellent credibility and international influence. Competent authorities at the municipality and district level should, in accordance with laws and regulations, incorporate these credit service institutions in administration and public services to ensure that professional services are provided. Credit service institutions that carried out enterprise credit reference filing at the Shanghai Head Office of PBC can apply for the Shanghai Financial Innovation Award.

**14. Further bank-tax integration and synergy.** The Shanghai municipal authorities for taxation should develop bank-tax integration and synergy with financial regulators and banking institutions, providing enterprises with one-stop bank-tax solution that covers the entire process of credit issuance. This will highlight the added value of the tax credit evaluation result, encourage financial institutions to issue credit loans, and boost financing availability for small and micro enterprises.

**IV. Facilitate the sound development of financial credit services via a work promotion mechanism**

**15. Establish a daily communication mechanism.** Shanghai Municipal Financial Services Office, Shanghai Branch of PBC, and Shanghai Office of China Banking Regulatory Commission will initiate a joint working mechanism to enhance communication, carry out joint survey on enterprise credit demand, hold ad hoc meetings to analyze issues in financial credit services in Shanghai and formulate counter-policy measures.

**16. Raise the public awareness of credit and loans.** We encourage industry associations, financial institutions, and other entities to promote credit products, exemplary cases and relevant government policies, so as to ensure that enterprises are better informed of credit services. An innovative all-media campaign featuring a combination of counseling and public services will be carried out to raise the public awareness of financial services and activities.

**17. Strengthen financial regulatory coordination and regulate enforcement activities.** Shanghai Joint Conference of General Financial Regulation should serve to improve integrated financial administration pilot and explore functional regulation. We will continue to regulate financial regulatory efforts, adopt joint inspection and general enforcement mechanism in addition to the existing administrative and monitoring measures, in order to minimize the impact on the operation of financial institutions. A strict enforcement accountability mechanism will be adopted to ensure fair competition in the financial credit industry.

These Opinions are effective since the date of release.

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