



Interim Regulation on the Board of Supervisors of Important State-owned Financial Institutions

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(Order of the State Council of the People’s Republic of China No. 282)

The Interim Regulation on the Board of Supervisors of Important State-owned Financial Institutions was adopted at the 25th executive meeting of the State Council on January 10, 2000. It is hereby promulgated.

Premier Zhu Rongji

March 15, 2000

Article 1 For the purpose of improving the supervisory mechanism of the important state-owned financial institutions throughout the country, intensifying the supervision over the important state-owned financial institutions, this Regulation is formulated in accordance with [the Law of the People’s Republic of China on Commercial Banks](#) and [Insurance Law of the People’s Republic of China](#) .

Article 2 The term “important state-owned financial institutions” as mentioned in this Regulation refers to the state-owned policy banks, commercial banks, financial asset management companies, securities companies, insurance companies, etc. to which the State Council dispatches a board of supervisors (hereinafter referred to as the state-owned financial institutions).For the name list of the state-owned financial institutions to which the State Council dispatches a board of supervisors, the administrative department for the board of supervisors of state-owned financial institutions (hereinafter referred to as the administrative department for the board of supervisors) shall put forward a proposal and submit it to the State Council for determination.

Article 3 The board of supervisors of a state-owned financial institution shall be dispatched by the State Council, shall be directly responsible for the State Council and shall supervise the quality of assets of the state-owned financial institution as well as the value maintenance and appreciation of state-owned assets.

Article 4 The administrative department for the board of supervisors shall be responsible for the routine management of the board of supervisors.

Article 5 The board of supervisors shall, pursuant to the relevant laws, administrative regulations, as well as the relevant provisions of the Ministry of Finance, center around the financial supervision and conduct supervision over the financial activities of the financial institution and the business management acts of the directors, presidents (managers) and other key persons-in-charge so as to ensure no encroachment on the state-owned assets and the relevant rights and interests is committed. The relationship between the board of supervisors and the state-owned financial institution shall be one between the supervisor and the supervised. The board of supervisors shall not participate in nor interfere with the business decision-making and business management activities of the state-owned financial institution.

Article 6 The board of supervisors shall perform the following functions:

- (1)To check the state-owned financial institution’s implementation of the financial and economic laws, administrative regulation, rules and regulations of the state;
- (2)To check the financial affairs of the state-owned financial institution, consult its financial and accounting materials as well as other materials relating to its business operations, verify the genuineness and legality of its financial reports and capital operating reports;
- (3)To check the economic performance, profit distribution, state-owned asset value maintenance and appreciation, capital operation of the state-owned financial institution; and
- (4)To check the business activities of the directors, presidents (managers) and other main persons-in-charge of the state-owned financial institution, to evaluate the business management performances, and to put forward proposals of award, punishment, appointment and dismissal.

Article 7 As a general rule, the board of supervisors shall inspect the state-owned financial institution twice every year on the periodical basis and may, in light of the actual needs, irregularly conduct special inspections over it.

Article 8 The board of supervisors may carry out supervision and inspection by way of:

- (1) listening to the reports made by the main persons-in-charge of the state-owned financial institution about the relevant financial affairs, status of capital, and business management, to hold meetings in the state-owned financial institution for the relevant matters under supervision and inspection;
- (2) consulting the financial reports, accounting vouchers, accounting books and other financial and accounting materials as well as other materials relevant to the business management activities of the state-owned financial institution;
- (3) checking the financial affairs and status of capital of the state-owned financial institution, inquiring the personnel thereof about the relevant information and listening to their opinions, and demanding the main persons-in-charge of the state-owned financial institution to make explanations where necessary; and
- (4) inquiring the departments of public finance, industry and commerce, tax, audit, financial supervision, etc. about the financial status and business management of the state-owned financial institution. The Chairman of the board of supervisors may, in light of the needs of supervision and inspection, attend, as a nonvoting delegate or authorize other members to attend as non-voting delegates, the meetings of the board of directors and other relevant meetings.

Article 9 The board of supervisors shall offer guidance to the departments of internal audit, check and supervision, and other internal supervisory departments of the financial institution, which shall assist the board of supervisors to perform the functions of supervision and inspection.

Article 10 The board of supervisors shall timely work out a check report after it finishes each check over the state-owned financial institution. A check report shall include an evaluation of the financial and capital analyses as well as the business management, the evaluation of the business management performances of the key persons-in-charge and proposals on the awards, punishments, appointment and dismissal thereof, proposals on the settlement of existing problems, and other matters that the State Council requires reporting or the board of supervisors considers necessary to report. The board of supervisors shall not divulge any of the contents as listed in the preceding paragraph to the state-owned financial institution.

Article 11 The check report shall, upon examination by the members of the board of supervisors and consultation with the relevant departments, be signed by the Chairman of the board of supervisors and shall be submitted to the State Council via the administrative department for board of supervisors. If there is a principle divergence on the check report among the members of the board of supervisors, a note shall be given in the check report.

Article 12 If the board of supervisors finds, during the course of supervision and inspection, any business activities of the state-owned financial institution that may endanger the finance security, result in asset losses or infringe upon the rights and interests of the owner of the state-owned assets, as well as other emergencies that the board of supervisors considers necessary to report without delay, it shall immediately submit a special report to the administrative department for board of directors, or may directly report it to the State Council.

Article 13 The state-owned financial institution shall regularly and faithfully submit financial reports and capital operating reports to the board of supervisors, as well as timely submit reports about its important business activities. It shall not refuse to do so, conceal any true information or submit any false report.

Article 14 The board of supervisors may, on the basis of the information about the supervision and inspection over the state-owned financial institution, propose the State Council to demand the National Audit Office, Ministry of Finance, People's Bank of China, China Securities Regulatory Commission and China Insurance Regulatory Commission to conduct an audit or inspection over the state-owned financial institution in accordance with their respective authority. The board of supervisors shall strengthen the communication with the Ministry of Finance, People's Bank of China, China Securities Regulatory Commission and China Insurance Regulatory Commission. They shall notify each other of the relevant information.

Article 15 The board of supervisors shall consist one Chairman and a number of supervisors. The supervisors shall be classified into full-time supervisors and part-time supervisors. Those selected from the relevant departments and entities shall be full-time supervisors, the delegates from the Ministry of Finance, People's Bank of China, China Securities Regulatory Commission and China Insurance Regulatory Commission, the qualified experts hired by the board of supervisors from professional accounting companies as well as the delegates of the state-owned financial institution shall be part-time supervisors. The board of supervisors may hire staff members where necessary.

Article 16 The Chairman of the board of supervisors shall be determined under the prescribed procedures and shall be appointed by the State Council. The position of the Chairman of the board of supervisors shall be assumed by a state functionary at the level of deputy minister, who shall work full time and shall usually be under the age of 60. The full-time supervisors shall be appointed by the administrative department for board of supervisors. The position of a full-time supervisor shall be assumed by a state functionary with the administrative rank of sub-minister or section chief, who shall be under the age of 55. Each term of office of the members of supervisors shall be 3 years, of whom the Chairman of the board of supervisors, full-time supervisors and dispatched supervisors shall not hold a consecutive term at a same board of directors.

Article 17 The Chairman of the board of supervisors shall be home with the policies, shall stick to the principles, shall be clean and self-disciplined and shall be acquainted with the financial and economic work. The Chairman of the board of supervisors shall perform the following duties:

- (1) To convene and preside over the meetings of board of supervisors;
- (2) To be responsible for the routine affairs of the board of supervisors;
- (3) To examine and sign the reports and other main documents of the board of supervisors; and
- (4) Other duties that should be performed by the Chairman of the board of supervisors.

Article 18 A supervisor of the board of supervisors shall satisfy the following conditions:

- (1) Being familiar with and being able to implement the relevant financial and economic laws, administrative regulations, rules and regulations of the state;

(2) Having professional knowledge of accounting, finance, audit or macro-economics and being familiar with the business management of the financial institution;

(3) Upholding the principle, being clean and self-disciplined, and

(4) Being able to make comprehensive analyses and judgments and being able to work independently.

Article 19 The Chairman, full-time supervisors, dispatched supervisors and expert supervisors of the board of supervisors shall be governed by the disqualification principle. None of them may assume a position in the board of supervisors of the state-owned financial institution, in which he ever worked or his close relative takes up a position of senior management.

Article 20 The fund for the board of supervisors to carry out supervision and inspection shall be appropriated by the state treasury, under which the expenses shall be uniformly arranged by the board of supervisors.

Article 21 None of the members of the board of supervisors may accept any gift of the state-owned financial institution, take part in any banquet, entertainment, tour, overseas visit or any other activity arranged, organized or whose expenses are covered by the state-owned financial institution, nor seek any benefits for himself, his relatives and friends, or others. Neither the Chairman nor any of the full-time supervisors, dispatched supervisors and expert supervisors of the board of supervisors may accept any remuneration or welfare treatment given by the state-owned financial institution, or get any expense reimbursements from state-owned financial institution.

Article 22 The members of the board of supervisors shall keep the inspection reports confidential. None of them may divulge any business secret of the state-owned financial institution.

Article 23 If any of the members of the board of supervisors makes outstanding achievements in the supervision and inspection work and makes important contributions to the protection of national interests, he shall be awarded.

Article 24 Where any of the members of the board of supervisors commits any of the following acts, he shall be given an administrative sanction or disciplinary sanction. If any crime is constituted, he shall be subject to criminal liabilities:

(1) Failing to report any serious violation of law or discipline by the state-owned financial institution, or severely neglecting his own duties;

(2) Making any false report by colluding with the state-owned financial institution; or

(3) Committing any of the acts as mentioned in Articles 21 and 22 of this Regulation.

Article 25 If the state-owned financial institution commits any of the following acts, the directly liable person-in-charge and other directly liable persons shall be given a disciplinary sanction or even be dismissed from his post. If any crime is constituted, they shall be subject to criminal liabilities.

(1) Rejecting or impeding the board of supervisors' performing its functions;

(2) Rejecting or delaying without any justifiable reason the submission of relevant materials concerning its financial status, business management, etc.;

(3) Concealing the relevant materials or submitting any false materials; or

(4) Committing any other act of impeding the supervision and inspection of the board of supervisors.

Article 26 If a state-owned financial institution finds that any of the members of the board of supervisors commits any of the violations as mentioned in Articles 21 and 22, it shall be entitled to report it to the administrative department for board of supervisors, or may directly report it to the State Council.

Article 27 This Regulation shall come into effect as of the promulgation date. The Interim Provisions on Board of Supervisors of Solely State-owned Commercial Banks as issued by the People's Bank of China on November 12, 1997 shall be repealed simultaneously.

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