



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

Launch of 2021 Report on Yangtze River Economic Belt's Green and Innovative Development Index and the 4th High-End Forum on Yangtze River Economic Belt's Development

On November 27, the 2021 Report on Yangtze River Economic Belt's Green and Innovative Development Index was released. Meanwhile, the 4th High-End Forum on Yangtze River Economic Belt's Development was held in Beijing. The two events were sponsored by the Yangtze River Economic Zone Research Institution of Renmin University of China (RUC), National Academy of Development and Strategy of RUC and School of Finance of RUC, and were organized by the International Monetary Institute (IMI) of RUC.

In the morning, Liu Yuanchun, Vice President of RUC, moderated the session where the 2021 Report on Yangtze River Economic Belt's Green, Innovative Development Index (the Report) was launched. Leaders, experts, researchers from China's financial regulatory authorities, research institutes and the financial sector participated in the hybrid meeting.

Liu Wei, President of RUC, and Liu Xinhua, Vice Chairman of National People's Congress Financial and Economic Affairs Committee and former Vice Chairman of China Securities Regulatory Commission, respectively delivered speeches.

President Liu Wei first highlighted General Secretary Xi Jinping's blueprint for the Yangtze River Economic Belt and the importance of this area. According to him, the Report revolves around the philosophy of promoting innovation in green development and boosting green development through innovation. The Report evaluates the state of green, innovative development in different cities which the Yangtze River runs through based on two criteria of input on green, innovative development and output of green, innovative development constructed by combining economic, innovative and environmental elements. Liu Wei concluded by summarizing the Report's innovations. Firstly, the Report takes into consideration both innovation-driven development and green development. Secondly, it incorporates a measure of innovations' commercialization. Thirdly, the index of the output of green, innovative development is calculated based on an array of indicators which are highly logical.

Chairman Liu Xinhua called attention to the importance of green development in China's strategic layout and the significance of finance in buttressing green development. He then

pointed out that although China has made notable progress in expanding access to green finance and diversifying green finance products, it still needs to improve its mechanism via which funds can be channeled toward green development by drawing on international experience and considering national conditions. He concluded by illustrating how a reform and innovation synergy can be created from three perspectives of institutions and systems, market mechanism and product supply, thereby facilitating green development and contribute to China's "Dual Carbon" goals.

Li Yang, Member of the Chinese Academy of Social Sciences (CASS) and Chairman of the National Institution for Finance & Development, and Fang Cunhao, Deputy Secretary of Yibin Municipal Party Committee and Mayor of Yibin, respectively made keynote speeches.

Chairman Li Yang shared his insights into problems observed in the integration and green development of the Yangtze River Delta from three aspects of contextual information, rural revitalization and low carbon development. It should be noted that the Yangtze River Delta's economic growth is slowing down, its population is declining and aging, its urbanization is decelerating, and its pollution mobility is decreasing. These combined put the Yangtze River Delta at a disadvantage. Li Yang contended that urban-rural integration benefits both urbanization and rural revitalization. Urban-rural integration consists of two aspects, namely equal access to public services and integration of the land market. The Yangtze River Delta is China's most economically developed area with a relatively mature market system and should therefore make its due contributions to advancing urban-rural integration and eliminating the urban-rural gap. When it comes to the implementation of the green development strategy in the Yangtze River Delta, according to Li Yang, it should be noted that this strategy embraces a wide variety of aspects and has a long lifecycle with complex influence. Particularly, industries that will benefit or be harmed by this strategy should be identified at the very beginning so that targeted measures can be taken. Compensations shall be given to industries that are harmed, people who are affected should be relocated, and "problematic assets" shall be disposed of carefully. Only by addressing these issues can steady green development in the Yangtze River Delta be achieved.

Mayor Fang Cunhao delivered a keynote speech entitled "Innovation-Driven Green Development—Accelerating the Building of Socialist Modern Central Cities for Different Regions in China". He pointed out that located at the upper end of the Yangtze River, Yibin shoulders the responsibility of preserving the ecosystem of the upper Yangtze River. In recent years, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Yibin has been boosting innovation to foster new drivers of quality growth. On the one hand, the city puts ecological protection and green development in the first place and has progressed in ecological protection and pollution prevention and control. On the other hand, the city upholds education-underpinned and innovation-driven development and has made a breakthrough in building itself into a university town and a city of innovations and expediting industrial transformation and upgrading. Looking forward, Yibin will proceed with ecological protection, continue to innovate and strive for green, low-carbon development, so as to facilitate the construction of socialist modern central cities for different regions in China.

Later on, Zhuang Yumin, Dean of School of Finance, RUC, unveiled the 2021 Report on Yangtze River Economic Belt's Green, Innovative Development Index. Cheng Lian, Research Fellow at Institute of Finance & Banking, CASS and Director of the Editorial Department of



Chinese Review of Financial Studies, Luo Rong, Deputy Director of the Scientific Research Department of Academy of Macroeconomic Research, National Development and Reform Commission, Ma Wenjie, Dean of Shanghai Institute of International Finance Center of Shanghai University of Finance and Economics, and Zhou Yueqiu, Chief Economist at Industrial and Commercial Bank of China, respectively commented on the Report. This session was moderated by Lin Chen, Head of National Academy of Development and Strategy, RUC.

Dean Zhuang Yumin pointed out that the Yangtze River Economic Belt spans 11 Chinese provincial-level regions, covers eastern, central and western regions of China, and makes up 40 percent of the country's population and economic output. The Report aims to implement General Secretary Xi Jinping's Thought on Ecological Civilization and his blueprint for the Yangtze River Economic Belt, put into practice China's new development philosophy, and promote innovation in green development and boost green development through innovation, so as to promote high-quality development of the Yangtze River Economic Belt. Reflective of input on green, innovative development and output of green, innovative development, the Report selects two level I indicators, eight level II indicators and 25 level III indicators to develop and calculate the green, innovative development index, which can be used to assess the state of green, innovative development of 110 cities inside the Yangtze River Economic Belt and these cities' competitiveness in green, innovative development. The Report analyzes these cities' common problems and shortcomings in terms of their input on and output of green, innovative development and accordingly proposes policy recommendations including formulating policies, adopting technologies, encouraging innovation and overall consideration. This Report also enables the 110 cities to model themselves on their counterparts who fare well in green, innovative development.

Research Fellow Cheng Lian first pointed out that the most common definition of "green" is quality life where people are surrounded by abundant plants, which may not be low carbon. The second definition of "green" is about low carbon. For example, financial professionals would associate "low carbon" with carbon emissions and green risks. The third definition of "green" is sustainable development. The three definitions are somehow different and should be taken into consideration in analysis and practice. Cheng Lian also asserted that many green development reports still take GDP as an important measure when developing their own indices and that the measure of economic aggregate carries strong weight with China's green development index system. This system gives economically developed cities an advantage in the carbon emissions market and would discourage cities with lower GDP or lower per capita GDP from promoting green development. Cheng Lian concluded by suggesting that GDP's weight in the green development index system should be lowered and a comparative index which compares cities of similar economic output can be constructed to incentivize cities.

Deputy Director Luo Rong first congratulated Professor Zhuang Yumin and her team on the Report. According to Luo Rong, the Report pioneers the concept of "green, innovative" development in China and has constructed an analytical framework from two dimensions of input on and output of green, innovative development. This Report is a groundbreaking piece of research for high-quality development of the Yangtze River Economic Belt. Moreover, Luo Rong regarded the Report as both theoretically and practically relevant. The concept of "green, innovative" development is an extension of green development

and suggests the way forward for the Yangtze River Economic Belt. This Report guides cities to improve institutions and systems, increase spending on research and development, boost infrastructure development and advance the commercialization of innovations. Luo Rong then expounded on new measures to be taken to promote the Yangtze River Economic Belt's high-quality development in the 14th Five-Year Plan period. During this period, the philosophy of green development will be manifest in all aspects such as the economy, culture and society. Furthermore, coordinating ecological protection and high-quality development will be fundamental to the development of the Yangtze River Economic Belt.

Dean Ma Wenjie believed that the compilation of the Yangtze River Economic Belt's Green, Innovative Development Index is pioneering and significant. The Index's emphasis on green, innovative development provides guidance to both policymakers and green finance investors. According to Dean Ma, the Index is well-compiled as manifest in the following areas. First, it has a comprehensive and logical system of indicators. Second, it divides the Yangtze River Economic Belt into the upper, middle and lower areas, for each area a unique index has been developed to improve its comparability. Third, the Index was compiled based on open and transparent statistics and is therefore sustainable. Dean Ma concluded by suggesting that a dimension of green finance support could be added. This new dimension consists of green credit, green bonds, green funds, green guarantee, among others. Moreover, emission intensity deserves an in-depth analysis to provide reference for the transformation and upgrading of the energy mix. Last but not least, policies on financial support should be incorporated into the index system.

Chief Economist Zhou Yueqiu contended that the Report is of strategic significance, forward-looking in terms of its indicators, science-based in terms of its indicator system, applicable, and innovative. He called attention to balanced development of the Yangtze River Economic Belt, orderly advancement in ecological civilization and green transformation of industries. He concluded with some suggestions on how to leverage green finance to promote ecological civilization and high-quality economic growth.

In the afternoon, two parallel forums were held.

Parallel forum one on the theme of "Yangtze River Economic Belt's Green Development Model and Path" was presided by Song Ke, Deputy Party Secretary of School of Finance, RUC and IMI Deputy Director. Yuan Huabing, standing member of Yibin Municipal Party Committee and Executive Vice Mayor of Yibin, Professor Lin Chen, Head of the National Academy of Development and Strategy, RUC, Xiang Yuewen, Deputy Director of the Economy Operation Bureau of Chongqing Liangjiang New Area, Mei Dewen, General Manager of China Beijing Green Exchange and Secretary General of Beijing Green Finance Association, respectively delivered keynote speeches. Ma Wenjie, Dean of Shanghai Institute of International Finance Center of Shanghai University of Finance and Economics, Tu Yonghong, Dean of Yangtze River Economic Zone Research Institution, RUC, Zhang Zaijie, Dean of Green Development Strategy Research Institute of Western China, Guizhou University of Finance and Economics, Professor Lan Hong from School of Environment & Natural Resources, RUC, Professor Dai Wensheng from School of Finance, RUC, and Wang Peng, Deputy Director of Institute of Chinese Financial Studies of Southwestern University of Finance and Economics, were engaged in a discussion over this topic.

Parallel forum two on the theme of "Yangtze River Economic Belt's Innovative



Development Model and Path” was chaired by Qian Zongxin, Deputy Party Secretary of School of Finance, RUC. Ma Mingjie, Director of Research Department of Innovation Development, Development Research Center of the State Council, Zhang Chunpeng, Director at Department of Science & Technology Evaluation, National Center for Science & Technology Evaluation, Luo Laijun, Deputy Director of Policy Research Office of Hainan Provincial Party Committee and Shi Xijie, Director of National Energy Conservation Center of National Development and Reform Commission, respectively delivered keynote speeches. Later on, Chen Weidong, Dean of Academy of Bank of China, Ji Qiang, Research Fellow at Institutes of Science and Development, Chinese Academy of Sciences, Professor He Jianhong, Director of Research Center of Companies Administration Innovation, Chongqing University of Posts and Telecommunications, Cui Xisu, Senior Vice President of Business Department of China Construction Bank, Professor Zhang Xiaocheng from School of Big Data Application and Economics, Guizhou University of Finance and Economics, and Associate Professor Guo Biao from School of Finance, RUC, participated in a discussion.

Other major participants included Chen Zhen, Senior Research Fellow at National Academy of Development and Strategy, RUC and former Party Secretary of China Institute of Finance and Capital Markets, Huang Yihai, Deputy Director of Major Strategy Planning and Development Office of Yibin, Jia Tao, Party Secretary of Science and Technology Department of Yibin, and Wan Yongchun, Executive Dean of Yangtze River Economic Zone Research Institution.

Research

Roundtable on Money and Finance

Editor's Note:

Roundtable on Money and Finance is IMI's signature quarterly forum, held on the second Saturday afternoon of each March, June, September and the next January respectively (adjusted for national holidays and special occasions). The forum invites financial experts and leaders from home and abroad, having featured keynote speakers including Wei Jianguo, former vice minister of the Ministry of Commerce; Su Ning, former deputy-governor of PBoC; Chen Yulu and Pan Gongsheng, deputy-governor of PBoC; Edmond Alphandery, former French minister of finance; Patrick Honohan, former governor of Central Bank of Ireland. Currently, the forum has become a significant platform for academic exchanges in the macrofinance, and has cast great influence among financial researchers and practitioners.

Roundtable on Money and Finance • Autumn 2022: Digital Finance and Commercial Bank Management

On October 16, a Roundtable on Money and Finance (Autumn 2021): Digital Finance and Commercial Bank Management was held in Guiyang, Guizhou. This event was organized by the School of Finance of Renmin University of China (RUC) and the School of Big Data Application and Economics of Guizhou University of Finance and Economics (Guiyang School of Big Data Finance), hosted by the International Monetary Institute (IMI) of RUC and a research group in charge of Guizhou Province's major project entitled "Research and Interpretation of General Secretary Xi Jinping's Important Speech during His Inspection of Guizhou Province"(21GZZB01), and co-organized by the China International Finance Society, the *Finance & Trade Economics* and the *Studies of International Finance*.

Experts and researchers from the Chinese financial management authorities, research institutes and the finance industry attended the seminar. These experts and researchers included Li Lihui, former President of the Bank of China and head of the Blockchain Working Group of the Internet Finance Association of China; Cao Tong, Co-Chairman of IMI, former Vice President of the Export-Import Bank of China and Chairman of Hande Technology; Chen Weidong, IMI academic member, President of the Bank of China Research Institute, Secretary General of the China International Finance Society and Editor-in-Chief of the *Studies of International Finance*; He Dexu, President of National Academy of Economic Strategy of CASS, Dean of the Business School of the University of Chinese Academy of Social Sciences, Editor-in-Chief of *Finance & Trade Economics*; Ma Shaomin, Party



Committee Secretary and Director of Guizhou Local Finance Supervision Administration; and Zhao Pu, President of Guizhou University of Finance and Economics. The seminar was moderated by Li Hanwen, Vice President of Guizhou University of Finance and Economics.

Director Ma Shaomin, President Zhao Pu and Chairman Cao Tong respectively delivered speeches.

Ma Shaomin expressed his welcome to all the guests on behalf of Guizhou Local Finance Supervision Administration and showed his gratitude for the leaders and Guizhou University of Finance and Economics, who have long been supportive to the development of Guizhou's financial market. He pointed out that as the first national-level big data comprehensive pilot area in China, the provincial committee and government of Guizhou has actively seized the high ground of big data development, built a financial cloud with financial services, financial supervision and financial risk prevention and control all in one, as well as the Guizhou comprehensive financial service platform for big data, and established diversified digital financial scenarios, accelerating the integration and development of big data and enterprises. Ma expressed his warm welcome to the experts and researchers to come to Guizhou as a way to attract capital, talent and institutions for Guizhou's financial market, thereby creating a bright future of digital finance together.

Zhao Pu welcomed all the leaders and guests attending the seminar on behalf of Guizhou University of Finance and Economics and expressed his heartfelt gratitude to all leaders, experts and scholars who have been supporting the reform and development of Guizhou University of Finance and Economics. He pointed out that the new generation of digital technologies represented by big data, artificial intelligence and blockchain are driving the development of digital economy, and that accelerating digital transformation has become an important consensus in China and even the global financial industry. Digital finance plays an irreplaceable role in accelerating the high-quality development of economy and society. Zhao hoped that all the scholars and experts could share their insights into the underlying logic and the way forward of digital finance, and commercial banks' transformation and development in the wave of digitalization, thereby deepening the exchanges and cooperation between the Internet and digital economy.

Cao Tong welcomed and thanked the guests for their presence on behalf of IMI. He commented that digital finance is a product of the integration of digital technology and financial services, as well as an important part and strategic driver of the digital economy. Digital finance has become a common direction for the transformation and upgrading of the global financial industry, changing the financial system profoundly. The penetration of digital technology is as much an opportunity as it is a challenge for the development of commercial banks. Cao hoped that experts and scholars would take this conference as an opportunity to make suggestions on optimizing China's financial institutions and market system and share their insights into future development of China's financial industry.

Mr. Li Lihui delivered a keynote speech on the topic of "The New Pattern of Digital Finance". He pointed out that China's fintech innovation has shown specific leading advantages in the world. As fintech innovations widely apply digital technology, digitized financial architecture is posing new challenges to financial data security. China should apply secure data technology, build secure data infrastructure, and construct an effective data security system to guarantee the security of data collection, data storage, data processing, data

application and data privacy under the broad goal of maintaining national financial security.

Mr. Chen Weidong delivered a keynote speech entitled “Digital Finance and Commercial Bank Operation and Management”. He analyzed the opportunities and challenges brought by digital development to the banking industry in terms of social reform, customer demand, regulatory innovation and industrial development, and proposed that commercial banks should develop a comprehensive digital transformation strategy to change their organizational structure, increase technology investment, promote reform in customer acquisition, business and data channels, and develop a more automated, resilient and responsive “smart operation” system. Banks should also strengthen the training of personnel specializing in digital technology in order to improve the management and operation of commercial banks.

Mr. He Dexu delivered a keynote speech on the digital transformation of commercial banks. He mentioned that the process of digital transformation of commercial banks should be based on and rely on data, which is the core and foundation of digital transformation of commercial banks. Commercial banks should effectively explore the intrinsic value of customer data, transaction data and market data, and apply the data to aspects including operation and management, data compliance, customer portrait, product design and market situation analysis to make full use of data. The digital transformation of commercial banks is a long-term systematic project, which cannot be achieved overnight. Each bank should identify its unique digital transformation path and should not blindly imitate or follow others.

Song Ke, Deputy Director of IMI and Deputy Secretary of the Party Committee of the School of Finance of RUC released the *Digital Transformation Index Report of Chinese Listed Banks*. The index system contains 4 tier-1 indicators, namely strategy, organization, service and technology, and 19 tier-2 indicators, which quantitatively evaluate the effectiveness of digital transformation of commercial banks. The objective weighting method was used as the main research method, the entropy method was applied to determine the weight of each level, and the equal-weight method was adopted to compile the index in order to conduct cross-validation. The sample interval is from the 1st quarter of 2017 to the 2nd quarter of 2020, and the panel data of 25 listed Chinese banks were selected considering data availability and continuity.

In terms of the overall index, in the digital transformation of Chinese listed banks, state-owned commercial banks are in the first tier. Five state-owned commercial banks take the absolute lead in the digital transformation index with ICBC ranking No. 1. Joint-stock commercial banks have obvious advantages and are in the second tier, with eight joint-stock commercial banks having a higher digital transformation index. All of the eight banks are above national average, among which the China Merchants Bank has the best performance. Urban commercial banks and rural commercial banks are in the third tier, among which 7 urban commercial banks have average performance and the Bank of Hangzhou takes the lead, but the overall performance is below the national average. Five agricultural commercial banks are relatively slow in digital transformation and rank bottom on the digital transformation index ranking.

The roundtable was divided into two parallel forums that were held simultaneously. Parallel Forum I was chaired by He Qing, Assistant to the President of Guizhou University of Finance and Economics, Professor of School of Finance of Renmin University of China, Director of IMI Local Finance Research Office. Zhong Hong, Guest Researcher of IMI, Vice



President of Bank of China Research Institute, Deputy Secretary General of China International Finance Society, Executive Deputy Editor-in-Chief of *Studies of International Finance*; Li Mingxin, Member of Party Work Committee of Guiyan New District, Guizhou Province; Sun Yong, Deputy President of Guiyang Central Branch of People's Bank of China; Zhang Xiaocheng, Professor of School of Data Application and Economics of Guizhou University of Finance and Economics and other guests conducted a discussion on how digital finance can support high-quality economic development.

Parallel Forum II was chaired by Yang Yang, Dean of School of Big Data Application and Economics (Guiyang School of Big Data Finance) of Guizhou University of Finance and Economics. Wang Zhenxia, Director of Editorial Department of *Finance & Trade Economics*; Lu Bo, Member of the Party Committee and Deputy Director of Guizhou Rural Credit Co-operatives Union; Yang Chunlei, Vice President of the Guizhou Branch of Agricultural Bank of China; Zhao Junqiang, Secretary of the Party Committee and President of Guiyang Branch of China Everbright Bank; Li Chenggang, Professor of School of Big Data Application and Economics of Guizhou University of Finance and Economics and other guests held a discussion on commercial banks' experience in digital transformation.

Han Mei, Secretary of the leading Party members group and Director of Guiyang Financial Office; Huang Liyang, President of the Guizhou Branch of Bank of China; Qin Wei, Secretary of the Party Committee and General Manager of Guiyang Management Department of Guizhou Bank; Shuai Bin, Member of the Party Committee and Vice President of Guiyang Agricultural and Commercial Bank; Li Yilan, Senior Account Manager of Bank of the Guizhou Branch of Bank of China; Zhang Wenming, Director of Guizhou Institute of Financial Technology and Chairman of Guizhou Mingsheng Investment Group Co and other guests also attended the roundtable.

In the afternoon, four academic paper workshops on "Digital Finance and Commercial Bank Management" were held simultaneously in a hybrid manner, in which the authors of selected papers presented their papers. Dong Ping and Yan Bingqian, editors of *Finance & Trade Economics*, chaired Workshop 1 and 2 respectively. The selected papers were reviewed and commented by Wang Chuan, referee of *Finance & Trade Economics* and associate researcher of the National Academy of Economic Strategy; Song Zhigang, editorial reviewer of *The Journal of World Economy*; Cheng Lian, researcher of the Institute of Finance of the Chinese Academy of Social Sciences and Feng Ming, associate researcher of the National Academy of Economic Strategy. Zhao Xue and Hao Yi, associate Editor-in-Chief and editor of *Studies of International Finance* chaired Workshop 3 and 4 respectively. The selected papers were reviewed and commented by the journal's referee Pan Min, Dean of the School of Finance and Statistics of Hunan University; Fang Yi, Professor of the School of Finance of Central University of Finance and Economics; Jiang Hai, Vice Dean of the School of Economics of Jinan University and Zhou Yinggang, Vice President of the Wang Yanan Institute of Studies in Economics of Xiamen University.

Roundtable on Money and Finance • Chengdu Summit and Launch of 2021 Tianfu Financial Index

On October 28th, the Launch of 2021 Tianfu Financial Index and the Seminar on Green Financial Innovation's Support to Low Carbon Transition, hosted by the School of Finance and Economics of Renmin University of China (RUC), organized by the International Monetary Institute (IMI) and China Fortune Media Group, and supported by the Sichuan Society for Finance and Banking and Sichuan Bank, were held online. This event consisted of the Launch of 2021 Tianfu Financial Index and the Chengdu Summit of the Roundtable on Money and Finance. Leaders, experts and researchers from inside and outside Sichuan attended the event.

In the morning, Ouyang Zehua, Vice Chairman of Sichuan CPPCC and Director of Sichuan Municipal Financial Regulatory Bureau, Yan Baoyu, Secretary of Party Committee and Manager of Chengdu Branch, People's Bank of China, Liu Yuanchun, Vice President of Renmin University of China, He Qing, Professor of School of Finance and Economics of RUC, Yang Dan, Vice Secretary of Party Committee and President of Beijing Foreign Studies University, Zhu Mengnan, Vice Dean of School of Economics of Xiamen University, and other leaders and experts from governments, universities and the financial sector attended the Launch of 2021 Tianfu Financial Index and delivered speeches online. Dozens of guests from the RUC Tianfu Financial Index team, the Sichuan Financial Regulatory Bureau, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and other departmental leaders participated in the virtual conference moderated by Beijing TV host Li Jie.

Director Ouyang Zehua and Manager Yan Baoyu delivered opening speeches on behalf of the organizers one after another.

On behalf of Sichuan Municipal Financial Regulatory Bureau, Director Ouyang Zehua congratulated the organizers on the success of the launch and expressed his gratitude to friends from all walks of life who have long been concerned about and supporting the economic and financial development of Sichuan Province. He said that the Tianfu Financial Index objectively reflected the actual experience of financial development in 35 major Chinese cities, and also helped Sichuan find the gap in its financial industry, which is a guideline for Chengdu and Chongqing to continue to jointly construct themselves into China's western financial center. In addition, he pointed out that during the 14th Five-Year Plan period, Sichuan Province will follow the guidance of China's dual-carbon target and Sichuan's outline for the construction of a twin-city economic circle and focus on four priorities: first, to serve the real economy in depth and continue to strengthen the financing support for major projects; second, to continue to deepen financial reform; third, to continuously promote open cooperation; and fourth, to maintain a good financial ecology.

On behalf of the Chengdu Branch, People's Bank of China and Sichuan Society for Finance and Banking, Manager Yan Baoyu expressed welcome and gratitude to all leaders, experts and guests attending the conference. She said that the financial industry has provided strong support for the real economy, and the Chengdu Branch has been adhering to high-quality development, focusing on strengthening financing support, deepening financial reform and innovation, optimizing financial management services, preventing and resolving



financial risks, and continuously improving the quality and effectiveness of financial services for the real economy and regional development. Meanwhile, the Chengdu Branch effectively implements prudent monetary policies, strongly supports the development of key areas and weak links, and vigorously promotes the effective connection between consolidating and expanding the achievements of poverty eradication and rural revitalization. In addition, the Chengdu Branch has made financial support for scientific and technological innovation, green, low-carbon and open development a key task, launched the Star Plan for technological innovations' application in the financial sector, innovated and introduced a special support plan for rediscounting of carbon emission reduction notes, carried out a pilot program for environmental information disclosure by financial institutions, and explored the integration of green finance, inclusive finance and technology-empowered finance.

Vice President Liu Yuanchun delivered a keynote speech entitled "Whether 'de-realization' can explain the various performances of asset prices and price levels in this world". He said that to answer the question of whether the withdrawal of quantitative easing in the U.S. would produce strong panic in the global market and whether the impact would be like that during 2008 to 2009, an in-depth analysis on the root causes of the current changes in world asset prices and commodity prices was needed. The driving force of the global financial market is very complex and therefore cannot be simply summarized as "bubbles". We must see a variety of complex structural problems arising from the Covid-19 pandemic. Vice President Liu believed that under the impact of the pandemic and short-term structural problems, the way to enhance the real economy was not necessarily the so-called "overall financial control," nor was it necessarily a continuous and simple stimulation of the real economy, but the real need for a combination of relationships which might be more complex than the traditional idea. Thus, policy hedging risks associated with a robust recovery may be more difficult to control than the pandemic itself. Moving forward, greater attention must be paid to short- and medium-term structural issues when weighing growth and recovery against emerging risks.

Professor He Qing reported the "2021 Tianfu Financial Index" at the conference. He mentioned in his speech that the "Tianfu Financial Index" was compiled by the IMI and has been successfully released for four issues. The 2021 Tianfu Financial Index evaluation system consists of a general index, two sub-indices and eight further divided sub-indices. According to the 2021 Tianfu Financial Index, the ranking of the top ten cities is overall stable compared to 2020, with changes in only a few places. The top ten are Beijing, Shanghai, Shenzhen, Hangzhou, Guangzhou, Chengdu, Nanjing, Tianjin, Chongqing, and Wuhan. Some central cities have a steadier pace of financial development and are more resilient, better able to drive high-quality economic development and more financially competitive in the new developmental landscape. Beijing and Shanghai further strengthened their national financial management and international financial status; Shenzhen and Guangzhou are facing challenges in terms of the development of their financial sector; Hangzhou improved its financial development in quality and efficiency; Nanjing and Tianjin's emerging financial sector are developing rapidly; Hefei, Haikou and Changsha explored their own financial development path, whose results are significant; Wuhan's financial sector has been developing steadily; Chengdu, Wuhan, Chongqing, Xi'an and other emerging financial sectors performed solidly; and Changchun, Harbin and Shenyang have made great strides in financial

development.

In this issue of the Tianfu Financial Index, Chengdu's overall index ranking remains unchanged. In addition, Chengdu performs outstandingly on sub-indices like financial institutions, human resources and cultural finance and has great potential for development. Thanks to the rapid development of the local banking industry, Chengdu's financial institutions rose 2 places on the sub-index ranking. Chengdu is attractive to talent thanks to its high-quality education, perfect city facilities and especially the government's strategy for attracting talent. Chengdu ranks No. 4 after Beijing, Shanghai and Shenzhen on the human resources sub-index ranking. As for the cultural finance sub-index, Chengdu has more prominent advantage, rising from No. 6 to No. 4, mainly due to the increase in its share of PC browsing and the development of its cultural industry.

Compiled by IMI, the Index integrates theory, policy and practice and includes 35 first tier and second tier major Chinese cities. The Index reflects the overall financial development of each central city and the development of the financial market, financial institutions, the environment, human resources, technology-empowered finance, green finance, cultural finance, rural finance and other areas, and enables a better understanding of each city's financial development and hence synergistic development. Two new sub-indices, the Traditional Finance Index and the Emerging Finance Index, have been added this year due to the COVID-19 pandemic, so as to reflect the comprehensive financial development of each central city more objectively.

Afterwards, President Yang Dan and Vice President Zhu Mengnan made inspiring comments on the 2021 Tianfu Financial Index Report.

President Yang Dan said that the 2021 Tianfu Financial Index Report evaluated both traditional financial development and compiled emerging financial indices such as technology finance, green finance and cultural finance. The report reflects the researchers' philosophy of righteousness and innovation, testifies to 2020's governance miracle where China's economy bucked the trend, to maintain macro stability and high-quality development, and reflects new trends in financial development and relative changes among regions. The report provides guidance for the financial development of major cities and has important theoretical and practical implications. President Yang made three suggestions on future index research: first, to pay more attention to the study of financial openness; second, to focus on the issue of financial inclusion; and third, to focus on the balance between financial development and risk prevention.

Vice President Zhu Mengnan pointed out that the Tianfu Financial Index was systematically and well compiled and provides guidance for future development. The Tianfu Financial Index has the following features. Firstly, it depicts the panorama of financial and economic development of 35 major central cities from multiple dimensions, and illustrates the strengths, characteristics and shortcomings of financial practices in each region. Secondly, it constructs the index system in an all-round way by taking the financial market, inner connections, the way forward, among others into consideration. Thirdly, through a longitudinal and horizontal comparison of the indicators of the 3 levels of the index, the current situation, differences and characteristics of the financial development of 35 major central cities are analyzed, revealing the changing trends of financial development. Fourth, the regional financial development experience and development models are summarized,



covering market system, human resources, preparation environment, fintech and humanistic finance. Vice President Zhu suggested that during compilation the Tianfu Financial Index could include more reference such as innovation and quality. Indicators that reflect market competition risk prevention should be set or appropriately added. Samples could be enlarged, and the experience of various parties shall be built on.

The online roundtable was moderated by Guan Wei, Professor of School of Finance and Economics, RUC. Wang Jiangyu, Deputy Manager of Chengdu Branch, People's Bank of China; Shuai Xu, Deputy Director of Sichuan Municipal Financial Regulatory Bureau; Liang Qizhou, Director of Chengdu Municipal Financial Regulatory Bureau and Secretary of Party Committee of Chengdu Agricultural and Commercial Bank; Lan Hong, Deputy Director of Green Finance Branch of Chinese Society for Environmental Sciences and Green Finance Expert of World Bank; Luo Shiyi, General Manager of Green Finance Department of Industrial Bank Head Office; Tu Yonghong, President of Yangtze River Economic Belt Research Institute of RUC; Huang Jicheng, Associate Professor of School of Finance and Economics, RUC; Wang Yi, Vice President of Sichuan Branch of Agricultural Bank of China; He Jinfeng, Chairman of Sichuan Environmental Exchange; Wang Peng, Professor of Southwest University of Finance and Economics; Ren Hongrui, General Manager of Jintai Insurance, and other guests were engaged in a discussion about how green financial innovation could support China's transition to a low-carbon economy.

Macro-Finance Salon

Editor's Note:

Macro-Finance Salon is a high-level academic salon initiated by IMI and Department of Money and Banking of School of Finance at RUC. The salon aims at promoting the study and practice of Macro-Finance, as well as its disciplinary program, while carrying out in-depth research on Macro-Finance theory, policy and strategy. The concept of "Macro-Finance" stems from Professor Huang Da's fundamental idea of integrating macro and micro financial theory, which systematically regards finance and real economy as a whole. In the book of "General Theory of Macro-Finance", Chen Yulu, Deputy Governor of PBoC, demonstrates the fundamental connotation and methodology of Macro-Finance, laying theoretical and empirical foundation for Macro-Finance framework, which facilitates long-term economic growth and stronger national competitiveness.

Macro-Finance Salon (No. 168): Current Practice and Future Opportunities of Market Risk Management in Commercial Banks

On October 30, Macro-Finance Salon (No. 168) was held online. This event, jointly organized by the International Monetary Institute (IMI) of Renmin University of China (RUC), the Department of Monetary Finance at the School of Finance of the RUC, and the FinTech Institute of the RUC, is the 11th session of the series entitled "Finance Propels the Opening of the Fourteenth Five-Year Plan: Implementing the Principles of the Two Sessions" and the 24th Fintech Open Class. Lan Guoyu, research fellow at the IMI, delivered a keynote speech entitled "Current Practice and Future Opportunities of Market Risk Management in Commercial Banks". The keynote received comments from: Jin Yu, Party Secretary and Chairman of Bank of Shanghai; Chen Zhongyang, Professor at the School of Finance of the RUC, and member of the National Technical Committee for Standardization of Risk Management; Li Yucheng, Vice Mayor and Member of the Party Committee of Baise, Guangxi; and Zhang Danqi, Chairman of Guangzhou Finance Holdings Futures Co., Ltd. The event was moderated by Qu Qiang, assistant director and research fellow at the IMI.

Lan Guoyu first delivered his keynote speech entitled "Current Practice and Future Opportunities of Market Risk Management in Commercial Banks". Lan started by introducing risk measurement and management approaches in China, and then expounded the FRTB-based approach and its latest implementation in the US, EU, Canada, and the UK. Based on current conditions of China and international experience, Lan put forward several suggestions on strengthening the awareness of financial security, focusing on autonomy and controllability, and supporting companies with specialized businesses, unique features, or new capabilities. The keynote comprised four parts: the history of risk measurement and



management standards, the introduction of FRTB, the latest implementation of FRTB in the world, and some suggestions on Chinese risk measurement and management standards.

In the discussion and comment session, Chairman Jin Yu expressed his views on market risk management of commercial banks. He pointed out that researchers and banks should deal with market risks comprehensively. In recent years, commercial banks have been exposed to greater and greater market risks because of a variety of factors: under the structural adjustment of the financial system, direct financing funds were still mainly provided by commercial banks; the increasing complexity of financial products has given rise to intertwined risks; and RMB exchange rate fluctuated more due to its marketization reform. As a result, commercial banks paid more and more attention to market risks in overall risk management. At the same time, Basel III set new requirements for market risk management, including paying more attention to credit risk assessment, improving the management ability requirements for duration risks, and increasing the weight of capital with exchange rate risks.

Professor Chen Zhongyang then shared his understanding and observations of risk management from the perspective of measurement. Chen believed that risk measurement is the most important signature for modern risk management and that it contributes both directly and indirectly to risk monitoring. The direct benefit is that regulators can better calculate the risks of banks, and then determine the capital that banks should hold more accurately. In this way, the amount of capital can better reflect and cushion the risks. The indirect impact is that regulators can refer to measurement requirements and urge banks to improve their management procedures, systems, or even culture and strategies. However, the quantification of risks cannot solve all the issues by itself. Both quantitative and qualitative measures should be used to deal with market risks.

Vice Mayor Li Yucheng also shared his views on risk management of small and medium-sized financial institutions in rural areas. He pointed out that moral risks are the most important one with the most harmful consequences facing those institutions, followed by credit risks and market risks whose impacts have been on the rise. Li also said that risk management standards and tools should regulate those institutions in the following ways: Firstly, improve governance structure by identifying and dealing with the issue of insider control in rural cooperative institutions and the equity-for-debt issue brought about by shareholders' demand for dividends; Secondly, prevent moral risks of managers as much as possible; Thirdly, identify and measure market risks in advance, especially the risks of collaterals. In terms of how to put new standards and tools into practice, Li said that provincial credit unions should coordinate efforts to design and apply related models and allow packaged development of them. Meanwhile, regulatory authorities should work with experts, financial institutions, and local governments to carry out pilot projects before full scale implementation.

Last but not least, Chairman Zhang Danqi drew on his work experience to share his perspective. He said that setting risk-based minimum net capital requirements for financial institutions with businesses such as delegate trading, wealth management and lending is the only way to ensure that they can operate steadily and be responsible to their customers. At present, the four major assets in China, namely asset allocation, securities, commodities, and bonds, have become riskier. Therefore, reemphasizing risk management of financial institutions is vital. Futures is a tool designed for managing price risks and is becoming more

and more important for financial institutions and the real economy. The futures market allows commercial banks to hedge price risks in commodity trade. The market can also provide active risk management strategies for manufacturing enterprises, helping them avoid thinning profit margins when commodity price rises.

Macro-Finance Salon (No. 169): Focusing on Basic Logic and Analytical Methods of Commercial Banks

On November 6th, 2021, the No.169 online seminar of the “Macro-Finance Salon”, also the 12th of the “Learning the Spirit of the Two Sessions – Finance Supports the Grand Start of the 14th Five-Year Plan” serial salon, jointly organized by the International Monetary Institute (IMI) and the Department of Money and Finance of School of Finance, Renmin University of China (RUC), was successfully held. Wang Jian, Senior Research Fellow, IMI and Chief Analyst of Banking, Guosen Securities Economic Institute, talked about his new release *Banking: Basic Logic and Analytical Methods* and delivered a presentation entitled “Basic Logic and Analytical Methods of Commercial Banks.” Zeng Gang, Deputy Director, National Institution for Finance & Development and Director, Shanghai Institution for Finance & Development; E Zhihuan, Chief Economist, Bank of China (Hong Kong); Yang Zaiping, Founding Secretary-General, Asia Financial Cooperation Association and Former Deputy President, China Banking Association; and Zhao Xijun, Co-dean, China Capital Market Research Institute, RUC, commented on the presentation. The salon was chaired by Song Ke, Deputy Secretary of CPC, School of Finance, RUC and Deputy Director, IMI, RUC.

Wang Jian first introduced his new release and gave a presentation titled “Basic Logic and Analytical Methods of Commercial Banks,” which unfolded with four parts, namely financial statement analysis, return on equity (ROE) analysis, financial modeling for banks, and bank valuation methods. He proposed that it’s important to infer banks’ real situations from figures in their financial statements. In terms of ROE analysis, he suggested an improved DuPont Analysis. Specifically speaking, figures in each line of a bank’s income statement should be divided by the bank’s average assets, the quotient of which is net income. The net income should first be divided by the bank’s return on assets (ROA) and then multiplied by the equity multiplier, and the product is ROE. He also asserted that the overall operation can be revealed by analysis of each figure because an improved DuPont Analysis discloses the whole operation of banks in a glance. As for financial modeling for banks, he remarked that a variety of methods can be employed to conduct balance sheet forecasting, and that the specific method to be adopted should be determined based on real situations. At last, he noted that the Dividend Discount Model (DDM) and the Free Cash Flow to Equity (FCFE) are the most used valuation models, and that the EVA Discount Model is also employed by banks. Choosing a valuation model is art-like because each approach has its pros and cons. There is no best.

In the discussion session, Prof. Zhao Xijun contended that when valuing a bank, resources that the bank can mobilize, and influence of the bank’s stakeholders should be taken into account considering that banks play a key role in resource allocation. Additionally, relevant regulations and monetary policy should also be factored in. Secretary-General Yang



Zaiping remarked that we should first identify banks' business models and profiting models and be aware of their challenges in cut-throat competition. To explore the basic logic and analytical methods of the banking sector, banks' business models and profiting models must be examined. Meanwhile, the history of the banking sector should be scrutinized to predict its future development. Dr. E Zhihuan argued that the banking sector's performance internationally since the outbreak of the COVID-19 pandemic suggests that commercial banks' profitability is directly influenced by macro-economy. Different degrees of macro-economic downturns in different economies lead to profitability variations in banking because of the cyclical nature of international banking. Prof. Zeng Gang observed that the new release serves as a good guide for understanding real-world bank operation, and shares insights into information disclosure and strategic organization in banking.

Macro-Finance Salon (No. 170): How to Bring Green Bond Market into Play Under the Dual Carbon Target

The No.170 online seminar of the “Macro-Finance Salon”, also the 13th of the “Learning the Spirit of the Two Sessions – Finance Supports the Grand Start of the 14th Five-Year Plan” serial salon, jointly organized by the International Monetary Institute (IMI) and the Department of Money and Finance of School of Finance, Renmin University of China (RUC), was successfully held on the afternoon of December 11th, 2021. The theme of this salon was “How to Bring Green Bond Market into Play Under the Dual Carbon Target,” on which Dr. Tian Xinming, an external expert of IMI and Investment Manager of Ping An Fund Management Co., Ltd., made a keynote report. Lan Hong, Deputy Director of the Center for Eco-Finance Studies, RUC, and Professor of School of Environment & Natural Resources, RUC; Li Rong, Deputy Director of the Institute of Chinese Debt Research, RUC, and Associate Professor of School of Finance, RUC; Shi Yi, Deputy General Manager of Chinese Debt R&D Center, China Central Depository & Clearing Co., Ltd.; Wang Bin, Chief Macroeconomy Analyst of Department of Investment Banking, ICBC; Zhang Jingjing, Chief Macroeconomy Analyst of Western Securities; Fan Binbin, Manager of Investment Banking and Asset Management Department, Bank of China; and other experts participated in this seminar. The salon was moderated by Professor Tu Yonghong, IMI Deputy Director.

Dr. Tian Xinming gave a presentation entitled “How to Bring Green Bond Market into Play Under the Dual Carbon Target.” Starting from the perspective of industry, he pointed out that “dual carbon” is a long-term target to serve the environment and long-term human development, and also a historical opportunity for related industries to overtake. Firstly, he analyzed the basic situation of green bond market, remarking that in the current green bond market, the use of funds was concentrated in green services and energy conservation and environmental protection. According to him, the issuance venues were mainly domestic exchanges and the inter-bank market, the external examination of green certification tended to be strict, the issuance varieties were gradually balanced, the issuance interest rates did not enjoy obvious advantages, and the main issuers were local governments and state-owned enterprises in developed regions.

Dr. Tian then argued from the current problems of China's green bond market, pointing out that there were differences in the existing rating standards, as the green bond regulatory

mechanism had yet to be improved. The green bond issuance side also faced many challenges - small enterprises had obvious disadvantages in cost, and private enterprises issued fewer bonds and encountered many difficulties in issuing bonds. Meanwhile, the general credit environment was relatively poor, and the financing ability of private enterprises and urban construction & investment groups in weak regions tended to diminish. In the long run, it was more important to improve the credit environment so that the financing capacity of the bond market could be restored.

Dr. Tian concluded with some suggestions for future development of the green bond market. First, green bond standards should be improved, and domestic standards should be aligned with international standards. Second, the regulatory mechanism related to green bonds should be improved, taking the overall situation into consideration. Third, policy support for the issuance side should be optimized, and product optimization and innovation should be strengthened. Fourth, support for the investment side should be stepped up, and the investor structure and risk compensation mechanism should be refined. Finally, a disciplinary warning mechanism should be established for the credit bond market. For dishonest private enterprises, their use of funds shall be investigated for illegal and non-compliant acts, and the actual controllers of these enterprises shall to some certain extent bear joint and several liability.

After that, the attendees carried out extensive discussions on Dr. Tian's report and related issues.

Macro-Finance Salon (No. 171): Global Experiences and China's Application of Regulatory Sandboxes

On December 18th, 2021, the 14th of the "Finance Supports the Grand Start of the 14th Five-Year Plan" serial salon, also the 4th "Global RegTech Cooperation Network" academic salon, jointly organized by the International Monetary Institute (IMI) of Renmin University of China (RUC) and Beijing Frontier Institute of Regulation & Supervision Technology (FIRST), and co-organized by RUC Fintech Institute, was held online. The theme of this salon was "Global Experiences and China's Application of Regulatory Sandboxes". Zhu Taihui, Deputy Director, Research Institute of JD Technology; and Shan Jianfeng, Head of Information Technology, National Internet Finance Association of China, delivered keynote speeches. Yin Zhentao, Director of Fintech Research, Institute of Finance & Banking, Chinese Academy of Social Sciences; Qiu Zhigang, Associate Professor at School of Finance, RUC; and Yu Haohan, Deputy CIO at Baixin Bank (AIBANK), participated in the discussion. The salon was presided over by Yan Cui, Deputy Director of FIRST.

Zhu Taihui first delivered a keynote speech entitled "Global Experiences from Regulatory Sandboxes, China's Practices and the Way Forward". He pointed out that although different countries approach regulatory sandboxes differently, they share an increasing number of similarities in subjects of design, applicable objects, evaluative criteria, subjects of evaluation, risk control and exit arrangements. Mr. Zhu then shared his insights from the following three aspects.

First, regulatory sandboxes' definition and international experiences from regulatory sandboxes. A financial regulatory sandbox is an innovative supervisory mechanism. It aims to provide a safe and controlled real-world testing environment for fintech innovations,



implement whole-process monitoring and final evaluations of the innovations, and promote them to the society and the market if conditions are met. Global practices of regulatory sandboxes suggest that there is no one-size-fits-all solution to the design and implementation of regulatory sandboxes. Countries vary in subjects of design, applicable objects, evaluative criteria, subjects of evaluation, risk control and exit arrangements of regulatory sandboxes, but they share an increasing number of similarities in the aforementioned aspects.

Second, China's adoption of regulatory sandbox. China's regulatory sandbox has progressed significantly in number of pilot areas, projects and test subjects, and is covering increasingly wider technical fields. Moreover, the implementation of its regulatory sandbox has achieved positive results. However, the following three aspects remains to be optimized. First, the design and implementation of China's regulatory sandbox should be better coordinated with the principle of competition neutrality and the principle of technology neutrality. Second, the division of labor between central and local Chinese regulators should be improved to give better play to the role of regulatory sandbox. Third, international experience and lessons should be drawn on to formulate regulatory sandbox guidelines or regulations, thereby improving the convenience and standardization of regulatory sandbox design and implementation.

Third, suggestions for regulatory sandboxes' future development. First, regulatory sandbox should not only promote responsible fintech innovations, but also improve the benign interaction between financial innovations and financial supervision, and ultimately bolster the financing ability and efficiency of fintech companies. Second, the focus of test projects should shift from technological applications and improving the quality and efficiency of fintech innovations, to promoting innovations in financial services and enhancing the quality and efficiency of financial services. Third, regulatory sandboxes should not only be applied to promote responsible fintech innovations, but also to facilitate the optimization of financial policies and innovation of supervisory instruments.

In the discussion session, Yin Zhentao proposed three suggestions for regulatory sandboxes' future development. First, the sandbox mechanism established by central regulators should be better coordinated with local sandbox pilots. Second, new application scenarios where technological innovations are advanced via sandboxes should be explored. Third, fintech companies should be able to comply with existing laws and regulations after they exit the sandbox. Qiu Zhigang viewed the regulatory sandbox from a fintech perspective and pointed out that regulatory sandbox stems usually from the advent of new but controversial technologies. In the development of fintech, risks, costs and benefits of technological innovations coexist. At present, the acquisition and use of big data are the major disputes because big data is the cornerstone of fintech but may give rise to privacy issues. The use of big data therefore needs to take into consideration both commercial value and personal privacy protection.

Macro-Finance Salon (No.172): The Incentives, Penalties and Protection of Independent Directors

The No.172 online seminar of the "Macro-Finance Salon", also the 15th of the "Finance Supports the Grand Start of the 14th Five-Year Plan" serial salon, jointly organized by the

Department of Money and Finance of School of Finance of Renmin University of China (RUC), International Monetary Institute (IMI) of RUC, and Finance EMBA Center, was successfully held on December 26th, 2021, with the theme of “Incentives, Penalties and Protection of Independent Directors”. Xu Rong, Professor at School of Finance of RUC, Researcher at Research Institute of Capital Market and at Research Institute of Insurance; Hu Yuyue, Director of Research Institute of Securities and Futures of Beijing Technology and Business University; Li Shoushuang, Senior Partner of Dentons Law Firm, Beijing; and Yu shijin, Founding Partner of Jia Chuan Law Firm, Beijing, attended the seminar. The salon was presided by Hu Bo, IMI Researcher, Director of EMBA Center and Deputy Director of Insurance Department of School of Finance of RUC.

Professor Xu Rong delivered a keynote report titled “Incentives, Penalties and Protection of Independent Directors”. He pointed out that the board system, especially the independent director system, is a core part of the incentive and constraint system of the macro financial system. The independent director system is related to the core functions of the entire financial system. The board needs to supervise management on behalf of major shareholders, while supervise major shareholders and the ultimate controller on behalf of minor shareholders. The board also needs to regulate corporate behavior on behalf of all stakeholders including creditors. Independent directors are supposed to reach a balance among multiple stakeholders and achieve effective incentive and constraint. The approaches were discussed from the following four aspects:

First, the selection of independent directors. Independent directors should be independent and capable. It is important to have the ability to supervise based on independence. Independent directors should have a strong capability to perform their duties and supervise the management. Through empirical research, we found that scientists as independent directors are likely to alleviate the over-investment in the company. The research also shows that scientists serving on committees on the board can perform their supervisory duty more effectively.

Second, how to effectively motivate independent directors. First of all, excessive financial incentives for independent directors can affect their independence while present potential adverse selection and moral hazard. Second, empirical studies have also shown that reputational incentives can play a role in the Chinese market. For example, some empirical studies have shown that independent directors who vote against the company have more opportunities to serve in public companies in the future. Finally, if a company acts fraudulently or if an independent director signs documents that are potentially fraudulent, the securities authority will impose administrative penalties. The threat of penalties will push other affiliated companies or affiliated independent directors to better perform their duties.

Third, the increase of independent directors’ responsibilities and the trend of departures. The departures of independent directors of listed companies were mainly in two periods. One was in 2014 when the CSRC stipulated that government officials could not serve as independent directors. Many independent directors were forced to resign due to the impact of regulation; the second was between 2019 and 2020, after the promulgation of the new securities law, higher litigation risks also prompted an increase in the departure rate of independent directors. The departure rate of independent directors of listed companies with higher litigation risks was even higher.



Fourth, the role of executive liability insurance of independent directors. After a company purchased liability insurance, the corresponding insurance company will conduct more research on and interviews with the company, improve the company's information disclosure, and reduce the opacity of the company. These methods can effectively manage the reduction of stakes and will inhibit a wide range of other violations such as pollution. At the same time, an event study focusing on the impact of the new securities law shows that the more serious the company's past violations and the greater the risk of litigation, the stronger the positive value effect of executive liability insurance.

Macro-Finance Salon (No.173): The Outlook for Monetary Policies in China and the US

The No.173 online seminar of the “Macro-Finance Salon”, also the 16th of the “Learning the Spirit of the Two Sessions – Finance Supports the Grand Start of the 14th Five-Year Plan” serial salon, jointly organized by the Department of Money and Finance of School of Finance, Renmin University of China (RUC) and the International Monetary Institute (IMI), was successfully held on December 26th, 2021. Zhao Ran, IMI Research Fellow and Associate Professor at School of Finance of Capital University of Economics and Business, delivered a keynote report entitled “The Outlook for Monetary Policies in China and the US”. Guan Tao, Global Chief Economist, BOC International; Xia Le, Chief Economist for Asia at BBVA Research; Zhao Xijun, Co-Dean of Academy of China Capital Market, RUC; and Zhu Mengnan, Deputy Dean of School of Economics, Xiamen University, commented on the report. The salon was presided by Wang Fang, Deputy Dean of School of Finance, RUC and IMI Deputy Director.

Professor Zhao Ran delivered a keynote report entitled “The Outlook for Monetary Policies in China and the US”. The report touched on the adoption of loose monetary policy by the People's Bank of China and tapering started by the US Federal Reserve. The report also made a comparison of future monetary policies in China and the US. According to Professor Zhao, the US was faced with a decline in its economic status, in the internationalization of the US dollar, and in the enthusiasm for increasing holdings of US Treasury bonds. Moreover, the US was also afflicted by high inflation, deterioration of balance of international payments, among others. All these issues downgraded the US dollar's credit rating and therefore damaged the US' core interests. The monetary policy in the US was expected to undergo three changes in the future. First, the decline of the US dollar' international status would lower the freedom of US monetary policy. Second, the focus of monetary policy objectives would shift from internal equilibrium to both internal and external equilibrium. Third, anti-inflation would become the next top priority for the Fed and the US government. As for China, with the continuous development of its political and economic strength, the deepening of the reform of its floating exchange rate system and further capital account liberalization, RMB's international status and the independence of China's monetary policy were rising rapidly. The focus of China's monetary policy objectives would gradually transition from external equilibrium to internal equilibrium and to stabilize domestic economic growth would become China's top priority.

Professor Zhao concluded by comparing the two countries' monetary policies from three perspectives of monetary policy's flexibility and independence, objectives and

implementation. First, the freedom of monetary policy in the US would moderately diminish while the flexibility and independence of monetary policy in China would be substantially boosted. Second, external equilibrium may be incorporated into the objectives of monetary policy in the US, and anti-inflation will become the prime concern. By contrast, China's monetary policy objectives would concentrate more on internal equilibrium, and steady growth would become the primary goal in the future. Third, the Fed would accelerate tapering and raise interest rates in the future while China may cut interest rates, but China would follow the principle of jogging and keep its monetary policy moderately prudent.



Tao Xiang International Finance Lectures

Editor's Note:

Professor Tao Xiang is one of the famous educators of international finance in China, and he is also the founder of international finance subject in Renmin University of China, who is at the meantime highly admired by a number of students. At the 10th anniversary of the professor's pass-away, proposed by graduates who had majored in international finance in RUC, the School of Finance and International Monetary Institute of RUC initiate the Tao Xiang International Finance Lectures, invite experts and scholars in international finance to give lectures and share their experience with the students, in order to cultivate outstanding talents for China to develop into the global finance center.

Tao Xiang International Finance Lectures (No. 24): The Evolution of International Leading Currencies and the Dispute over Currency Pricing Power-Thoughts Based on LIBOR Alternatives Reform

On the evening of November 5th, the 24th Tao Xiang International Finance Lecture was successfully held online. Professor Bian Weihong, head of the international finance team of Bank of China Research Institute, Ph.D. in economics, gave a speech entitled “The Evolution of International Leading Currencies and the Dispute over Currency Pricing Power-Thoughts Based on LIBOR Alternatives Reform”. The lecture was presided over by Qian Zongxin, special researcher of International Monetary Institute (IMI) and Vice Chairperson of School of Finance, Renmin University of China (RUC), and participants include Professor Zhao Xijun, academic member of IMI and co-president of China Capital Market Research Institute (CCMRI), RUC, Professor Ma Yong, special researcher of IMI from School of Finance and master students of School of Finance, RUC.

Professor Bian Weihong introduced some problems in the evolution of finance and international leading currencies from a historical perspective, and then made a special analysis on the current LIBOR alternatives.

First of all, she pointed out that finance is indispensable to the development of human society, which brings problems but also provides new methods for human beings to solve social problems. The succession of great powers is embodied in the financial history with the Dutch guilder and the British pound exemplifying the great cycle where financial success coincides with the rise of nations. Then, she concluded that the US dollar is in decline in the context of increased doubts worldwide about the international status of the US dollar, unlimited injection of liquidity, and excessive debt that dents confidence in the US dollar.

Later, Professor Bian elaborated on the new features of RMB internationalization against the backdrop of the great divergence in the global economy, the surging debt risk of the United States and the shift of the Federal Reserve's monetary policies. The

internationalization of RMB is a systematic project that can generate the butterfly effect, which requires us to adopt a rational perspective on the current market scale, function evolution and offshore market development. RMB internationalization should always aim at serving the development of the real economy and misuse of RMB as a currency for arbitrage should be shunned. In the process of guarding against risks, we should especially learn from the declining pricing power of the US dollar and avoid such an issue in RMB internationalization.

LIBOR manipulation scandal has exposed the conflicts of interest in the US dollar pricing system, severely weakened its credibility as the global benchmark interest rate, and thus triggered the reform of the US dollar benchmark interest rate. The ramifications of LIBOR alternatives reform on financial stability are still uncertain and risks exist, which suggests that in the process of financial opening, China should pay attention to the pricing power of RMB, the risks caused by the replacement of global benchmark interest rate and the spillover effect of the Federal Reserve's monetary policies in SOFR era. At present, in the face of the intertwined public health crisis, climate crisis, energy crisis and great changes in the world economic and financial structure, we should prepare for worst-case scenarios and re-examine the future development path and logic.

In the guest discussion session, Professor Qian Zongxin summarized and emphasized two key points made by Professor Bian Weihong: First, we should learn from the rise and fall of international leading currencies in the past and take history as a mirror. Second, amid the process of RMB internationalization, we should adopt the bottom-line thinking and re-examine the future development path and logic. Based on the future leading currencies proposed by Professor Bian, the next speaker Professor Zhao Xijun looked into the future by predicting the extent to which traditional currencies issued by the government will be influenced by new currencies such as Bitcoin. Professor Ma Yong then pointed out that the United States' pricing power is a double-edged sword; any policy failure may accelerate the dollar's decline. Meanwhile, RMB internationalization and China's overall national strength complement and mutually reinforce each other. Finally, Professor Bian Weihong and Professor Ma Yong discussed how the replacement of LIBOR would affect the intermediary and transmission efficiency of monetary policies.

Tao Xiang International Finance Lectures (No. 25): The Past, Present and Future of Digital Currency from a Global Perspective

On the afternoon of November 27th, Tao Xiang International Finance Lecture (No. 25) was successfully held at the School of Finance, Renmin University China (RUC). Dr. Wu Zhifeng, Senior Research Fellow of International Monetary Institute (IMI), RUC delivered a speech on the theme of "The Past, Present and Future of Digital Currency from a Global Perspective." The lecture was chaired by Wang Fang, Associate Dean, School of Finance, RUC, and Deputy Director of IMI, and followed by comments from Qiu Zhigang and Lu Dong, Associate Professors of the School of Finance, RUC. Dozens of professional master's students from the School of Finance attended the lecture.

Dr. Wu Zhifeng first stated the concept, brief history and vision of digital currency. Digital currency refers to currency in digital form that transforms ledger structure with digital



technology and is supported by encryption tech and smart contracts. It was invented in 2009, along with the rise of blockchain technology. Bitcoin is the first real digital currency. The goal of digital currency is point-to-point value exchange. Traditionally, third-party authorities ensure that digits are unique. This approach, however, leads to enormous third-party organisations and high transaction costs. Digital currency uses blockchain, distributed ledger, encryption algorithms and other technologies so that it is unique and unchangeable. Besides, smart contracts are computerized in digital currency. Therefore, it is programmable, and enables automatic value exchange and thus value internet.

Dr. Wu Zhifeng then introduced the types of digital currency based on the brief history of digital currency and the MoneyFlow Model. Main types of digital currency are native digital currencies and its tokens, stablecoins, and central bank digital currency. Among them, native digital currencies include Bitcoin, Ethereum, ERC20, ERC721; stable coins work equivalently under currency board system. The most common stablecoins are backed by legal tender based on a promised exchange ratio of 1:1. Tether (USDT) issued by Bitfinex/iFinex and USD Coin (USDC) issued by Coinbase are the most well-known ones.

Dr. Wu Zhifeng then analyzed Libra's impact on the central banks across the world and regulators' doubt about Libra. He illustrated the global progress of Central Bank Digital Currencies (CBDC). Taking e-CNY as an example, he elaborated the issuance, injection and circulation of CBDC under a two-tier operating system and a three-center structure, and CBDC's impact on commercial banks and monetary policies. E-CNY is a means for commercial banks to compete with third-party payment. As Money Supply M0, e-CNY still requires 100% reserve ratio in the central bank. With lower money multiplier, the derivative ability of deposit currency would be undermined. From a long-term perspective, commercial banks would transform into wealth management institutions with weakened status as payment intermediaries.

Lastly, Dr. Wu Zhifeng shared his insights into global competition in the field of digital currency and the outlook for digital currency. Global competition will unfold as competition between private digital currency and legal currency, and rivalry among digital currencies of central banks. He also mentioned that digital US dollar would follow a prominently different path from digital RMB and probably would be under the framework of stable coins with authorized institutions issued and backed by single US dollar assets. Dr. Wu pointed out that non-sovereign private digital currency would coexist with sovereign CBDC in the future. He also hoped that e-CNY would be one of the major competitive digital currencies in the future by adopting better market-oriented technologies and systems.

Associate Professor Qiu Zhigang commented on the lecture and further emphasized three types of currency as takeaway, namely bitcoins or gold in the digital world, CBDC or legal tender in the digital world, and Libra in between. He thought that these financial innovations were not competitors of regular payment methods due to their low efficiency, but they could play a role in areas that traditional financing couldn't reach, such as cross-border payment. Associate Professor Lu Dong recognized digital currency's role in crisis response, analysis and prediction of the economy, such as targeted relief. In addition, he pointed out the disadvantages of private digital currency compared with CBDC, such as unstable currency value. After the lecture, Associate Dean Wang Fang expressed her gratitude to Dr. Wu Zhifeng and thanked the guests for their comments.

Exchange

Launch of IMF World Economic Outlook

On the morning of December 8, 2021, the launch meeting of IMF's World Economic Outlook, jointly hosted by the IMF Resident Representative Office in China and the International Monetary Institute (IMI) of Renmin University of China (RUC), was held via video conferencing. Steven Barnett, Senior Resident Representative of IMF in China; Li Xin, Deputy Resident Representative of IMF in China; Christoffer Koch, Economist at Research Department of IMF; Wei Benhua, Former Deputy Administrator, SAFE and Former IMF Executive Director for China; Zhao Xijun, Co-Dean of Academy of China Capital Market, RUC; and Guan Tao, Global Chief Economist at BOC International, were invited speakers. The conference was chaired by Zhang Zhixiang, Former Director General of International Department, People's Bank of China, and Former IMF Executive Director for China.

In his welcome speech, Zhang Zhixiang extended his warm welcome and gratitude to all the attendees, briefed them on the purpose of this press conference, the organizers and the meeting agenda, and then gave the floor to the invited speakers.

Steven Barnett was the first to deliver a speech. He pointed out that the global economic recovery slowed down and emerging markets suffered from the scarring effect. He also touched on issues of inflation and labor market and policy responses, COVID-19 vaccination, and climate change. According to Mr. Barnett, this year's economy demonstrated very strong momentum of recovery, but this momentum was gradually weakening, and emerging markets and low-income countries were afflicted by even stronger scarring effect. Looking ahead, the global economy faces substantial uncertainties due to the dynamics of the COVID-19 pandemic. Mr. Barnett believed that powerful policy objectives were key to mitigating the impact of the pandemic in developed countries and China. Moreover, the IMF provided large-scale emergency financing and SDRs for low-income countries and exempted these countries from their debts. The IMF will also set up a trust fund next year to support these countries' economic transition and will focus on increasing green investment to promote employment and economic development.

Wei Benhua agreed with Mr. Barnett on his analysis and made some comments. He pointed out that the IMF revised down its global growth projection mainly because of the pandemic, or more specifically, because that the speed of vaccination varies from country to country. Therefore, the world economic growth trend is diverging, and international cooperation must be strengthened to contain the pandemic so as to maintain steady global economic growth. Mr. Wei contended that China would remain the best performer in terms of economic growth both in 2021 and 2022 mainly because that after more than four decades' reform and opening-up, China's economy has become extremely resilient. Furthermore, China worked and will continue to work closely with the IMF and other international organizations to learn the lessons of global financial crises and manage risks strictly. In addition, the



People's Bank of China has been implementing prudent monetary policy and flexibly using a variety of monetary policy tools. Last but not the least, China has been adhering to the basic state policy of reform and opening-up and has progressed significantly in foreign trade.

As the next speaker, Li Xin delivered a speech titled "The Attack of New COVID Variant Decelerates Recovery in the Asia-Pacific Region". He mentioned that the Delta variant led to differences in the recovery process of different countries. Currently, Asia-Pacific countries are faced with multiple risk factors such as the tightening of US monetary policy exceeding expectations. To cope with that, in terms of fiscal policy, countries shall extend financial support as long as possible and create fiscal space for high-priority expenditures. As for monetary policy, financial risks shall be watched closely, and corporate restructuring shall be supported. With regard to trade policy, emerging economies' high non-tariff barriers shall be lowered. Additionally, Asian countries' measures to reduce carbon emissions would also exert relatively large positive influence.

Zhao Xijun then remarked on the speeches of Steven Barnett and Li Xin. He asserted that the pandemic would exercise an even longer impact on the economy. Then he clarified new changes that may occur in the long run due to the pandemic from four dimensions, namely the development of the pandemic, economic recovery, economic concentration, and inflation and CPI. As for policy risks and policy coordination, Mr. Zhao argued that two issues shall be taken into consideration. Firstly, spread of the pandemic and vaccine distribution shall be paid attention to. Secondly, the spillover effect as a result of monetary policy adjustment shall be addressed.

Christoffer Koch, as the next speaker, shed light on the inflation problem since early 2021, how to anchor inflation expectations and policy significance. He pointed out that inflation could be influenced by various factors such as accumulated savings rate, commodity price and continued supply chain disruptions. The overall inflation rate was expected to peak at the end of 2021 and recover to pre-pandemic levels by mid-2022 both in developing and developed countries. However, upside risks to inflation remained. According to the World Economic Outlook, economic slowdown and inflation were strongly correlated, and a robust recovery would increase the inflation rate. Once there were risks of de-anchoring, actions shall be taken immediately by policy makers. Central banks could see through temporary inflationary pressures and avoid overtightening unless they identify changes in potential prices. They shall also implement fiscal monitoring based on a sustainable medium-term framework, which was critically important to inflation anchoring.

Guan Tao then offered insights into the inflation problem. He shared Christoffer Koch's views and asserted that this round of inflation was a short-term shock. Inflation would peak by mid-2022 for developed countries but a little bit latter for developing countries. It should also be noted that this round of inflation may be different from what the public expected due to some medium-to-long term factors, and facts already proved that this round of inflationary risks was underestimated. Mr. Guan also claimed that four medium-to-long term factors may lead to a higher level of inflation in the world in the future. First, overissue of notes was very likely to be translated into inflation. Second, the new energy revolution may result in a surge in the market demand for lithium, copper, cobalt and nickel. Third, the scarring effect of the pandemic. Fourth, international division of labor was rethought from an economic perspective attributable to this supply chain crisis, and it could not be ruled out that the global industrial

chain and supply chain would accelerate restructuring in the post-pandemic era, against which background the efficiency of international division of labor may be sacrificed to some extent. Lastly, Mr. Guan opined that it was necessary to reflect on the policy response to the pandemic as traditional monetary policy instruments were mainly adopted to address asymmetric economic shocks. Whether traditional or structured instruments were more effective deserved more attention.



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