

**KEYNOTE ADDRESS:
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Ladies and Gentlemen,

Good morning!

I am very delighted to be here to present you. Firstly, please allow me on behalf of the China Banking Association to congratulate to the organizers on the opening of the Asian Pacific Financial Education Summit in Kuala Lumpur.

Now, let me present you the Chinese experience and views on financial education and its implications on the banking safety and soundness.

The Chinese banking sector reform is deepening. The number of bank customers and volume of the banking products are growing rapidly. Financial sector innovation is at a historical high level. Both the Chinese banking institutions and the Chinese bank supervisory authority attach greater importance on financial education and training, which has gone through big hip in recent years. The banking community has reached a consensus on the significance of the financial education and training that: 1)improving the education and training of the banking sector practioners, and enhacing their qualifications can provide the banking sector human resource basis for its sound development; 2) improving the training of the banking supervisors can help to construct a more professional banking supervision and a safe and sound financial system; 3) improving the financial education of the general public can enhance the public awareness of the contemporary banking industry and improve the effectiveness of the market discipline. After its creation, the China Banking Regulatory Commission set up four goals of banking supervison, one which is that ‘by financial education and information disclosure, enhancing the public awareness of the contemporary banking industry’. This assertion push the financial education to a strategic high point.

Firstly, A preliminary training and education framework from the banking supervisory aspect has been set up

Within the two more years after its creation, learning from the best practice of the international banking business, the China Banking Regulatory Commission proactively makes great efforts on its human resource development, implenments strategic supervisory training plans to enhance its supervision effectiveness.

1) A fit and proper test requirement has been implemented to ensure the qualification of the senior management of the commercial banks.

The competition between banks is in essence the competition of the human resources. A successful bank must be a bank with sound corporate governance and well performed senior management. In addition to promote commercial banks to improve their corporate governance, the China Banking Regulatory Commission also attaches great importance on the quality of the senior management. Under the Banking Supervision Law, a fit and proper test of the senior management has been implemented to examine the professional and managerial qualification of the going-to-be senior managements. The ongoing training of those senior managements and supervision of their performance is another way to ensure qualified bankers entering and retaining in the market. Under the guidance of the China Banking Regulatory Commission, the China Banking Association conduct training and organize certification of the banking practitioners as so to enhance their qualification and ensure the safety and soundness of the banking system.

2) A multi-layer banking supervisor training has been set up.

Since its creation, the China Banking Regulatory Commission has made efforts to build a qualified team of supervisors. In conjunction with the Basel Core Principles self assessments, CBRC focuses on the training topics of risk management and risk supervision. In doing so, the CBRC developed its own training materials, including banking theories and principles, commercial bank businesses, and banking supervision courses. Risk management specialists are invited to address the series of seminars on banking activities and banking supervision, such as bank card business, real restated loans, trading business, bankers' acceptance business, wealth management, etc.

In the past two more years, the CBRC made efforts touseboth the domestic and international resources to improve its staff training. It sent couple of excellent supervisor to do secondment in the Fianncial Service Authority, the Office of the Comptroller of the Currency of the US, Hong Kong Monetary Authority, HSBC group ,ect. CBRC cooperated with the Hong Kong Monetary Authority in delivering advanced seniors on risk management and supervision to systematically train the provincial heads and director level managers of the CBRC.in addition, the CBRC cooperated with the FSI, EMEAP , APEC, American Bankers Association ,and Asian Development Bank in delivering credit risk, market risk, as well as the supervison information system seminars to strengthen risk based supervision philosophy and to improve the effectiveness of bank supervision.

3) Setting up public financial education websites and intranet based training platform.

Historically, Chinese state-owned commercial banks are on a monopoly position in the market, the general public do not have the awareness of the financial risks. Whether the willingness or the capability of the public of taking risk need to be improved. With the development of the market oriented reform, the understanding of the general public on the financial sector and financial supervision is of great importance to the efficiency of the whole financial system as well as its safety and soundness. Based on the above understanding, the CBRC constructed the webpage on its official website to conduct public financial education, mainly introducing the elementary banking business, the goals of banking supervision, the supervisory policies, methods and supervisory indicators. The public can raise questions on banking supervision and send to the CBRC, the relevant department are responsible for answering those questions. The public financial education can reduce the level of information asymmetry, and improve the transparency, and enhance the market discipline.

China's popularization of financial quality education: A grand task to perform and a long way to go

Chinese government always attaches great importance to the development of education. In 1995, Chinese government worked out the strategy of economic development based on science-technology and education. In 2003, the significant National Human Resource Work Conference worked out the strategy to invigorating China through human resource development, in a bid to construct a well-off country. In 2004, "The Initiative of Education Promotion, 2003-2007" declared the objective of building a well-off society in an all-round way and realizing the great rejuvenation of Chinese nation. It pointed out that education must be taken as strategic priority in the process of modernization. Popularization of financial education is now becoming one of the key development plans for China's education.

Since 1978 when China began to implement the policy of opening up to the outside world, Chinese economy has been going on fast track. The economic growth has realized transition from production elements-driven to capital investment-driven and technology promotion. At present, the China's GDP has reached a higher level while the model of economic growth comes to optimization. However, the per capita GDP remains at a relatively low level. Regional economic disparity and wide economic gap between urban and the rural areas remains unsolved. In general, China is still a developing country with a large population. In terms of education, although a frog-leap like breakthrough has been made, serious challenges remain to be met. For

Chinese education, much work must be done to keep up with the requirements to realize a well-off society in an all-round way. Against this background, popularization of financial quality education is confronted with tremendous difficulties.

China has a population of 1.3 billion, ranking No. 1 in the world. 70% of the populations are rural habitants. Taking this number into consideration, the work of popularization of financial quality education is much more difficult than any other country in the world. To implement the work of the popularization, we have to answer the following questions, first: Who is responsible for the popularization? What is the carrier of the popularization? To what extent should the popularization initiatives go? Each policy decision requires huge investment.

In China, 70% of the population takes bank deposit as their main investment tool without understanding or trusting other investment tools. They have little awareness of risk and concept of credit, which results in high transaction cost in doing business. To common people, risk is just an abstract concept. However, not knowing about it and risk prevention will certainly lead to blind investment. By doing so, the possibility of bankruptcy will largely rise. One nation should not completely rely on laws and mandates to maintain the economic order. Honesty and credit are the basis of market order. Financial institutions should trust customers and customers should have confidence in financial institutions. Only with credibility could investment take place. Only investment is guaranteed could economy grow more rapidly. All these goals will be accomplished only if the education of the awareness of social risk and credit would be strengthened.

In China, every citizen averagely received only around 7 years of education. It's much lower in some remote rural areas. Some people can not recognize the counterfeit bank note and basically do not know any foreign currency. They are exposed to some swindlers. It is difficult to make investment risk understood by common people effectively, let alone for them to use new financial products. In the background of financial computerization, some rural habitants know nothing about network and computer.

Education in rural areas has never been well settled, which inevitably affects the effectiveness to popularize financial quality education in rural areas. Under the influence of such factors as social economy, policy and system, culture and ideology, the guiding ideas for School-running seem to follow the tendency of "city-centered". If the primary and secondary education system in rural areas has to shoulder the heavy task of popularizing the financial education in its region, the expenditure which used to be far less than enough will be much tighter. With the further implementation of the reform of rural taxes and

administrative charges, the rural education institutions are in deeper trouble with expenditures. We admit that the new “county-based” system is in favorable for the local education development. Some education institutions in poor region can not afford the necessary education input. Nor can they basically change their situation of poor educational expenditure. At the same time, the training for teachers in rural areas remains a great challenge when popularizing financial quality education. Nowadays, the teachers of primary and secondary school in rural areas are in low education background with backward education and teaching concept. The number of teachers is not enough while the structure is unreasonable. Meanwhile, phenomena of suspending teachers’ salary, substitute teachers and erosion of teachers commonly exist. Especially for those teachers working in western China, they have to shoulder heavy teaching task in bad working conditions, whose life and mental conditions are highly worried.

Therefore, with so large a population, so poor a foundation and so large a proportion of rural habitants, there is a grand to perform and a long way to go for China’s popularization of financial quality education.

Our measures for popularizing the financial quality education

As an old saying goes: While the prospects are bright, the road has its twists and turns! Although we are faced with great challenges, we firmly believe that we have the confidence and ability to impel the popularization of financial quality education. Currently, the most important thing is to fully understand three points as follows:

1. Make it clear who takes responsibility.

Understanding the necessity and significance of popularization of financial education, altogether the government, financial institutions and mass media should take responsibility.

The financial regulatory institutions in China as The People’s Bank of China, CBRC, CSRC and CIRC should exert the leading and driving role in popularizing financial education. The central bank of China --The People’s Bank of China, has always been taking on the function of supporting the economic development and maintaining financial stability. It should act as a pioneer, an organizer and an operator when developing financial quality education. An internal department should also be established in charge of publicity affairs of the financial knowledge.

Financial institutions have extensive connections with citizens. Thus under the government’s uniform guide, they should develop an educational program

whenever a new financial product appears, because each financial service is a practice for financial education. The social media and intermediary institutions should also play an active role in publicity. Financial education should not be limited in the financial system. We have to take full use of the modern media, making them and the intermediary institutions an important stage for popularizing financial education. We will establish a bilateral communication system with the media, assuring the financial information could be timely transmitted to public.

During the whole process, the financial regulatory institutions should create a favorable environment for the financial institutions. The government should focus on payment settlement, honesty and reputation building in order to provide financial institutions with favorable environment support. Accordingly, financial institutions should adhere to and implement some behavior principles. They should combine financial education activities with development of institutions, business innovation and daily publicity. Government should centralize resources in financial environment building. Meanwhile it should stand at a strategic height to have the whole situation in view and conduct proper guides to representative and typical issues. Government has organized discussion on the issue of service charge of banks on public media, which not only enriches the method and means of financial education, but also achieves at publicizing financial knowledge and policies.

2. Make it clear the targets and contents of popularization

Although financial education should be given extensively to all walks of life, the major targets of popularization should be those relatively disadvantaged groups, as poor urban population, rural habitants and adolescence. Their financial knowledge is seriously lacking. The impact of education program on them would be more obvious. Also, it is much easier to design a special education program for them because of their resemble demands.

Popularization of the financial education will be conducted differently in different cities and counties. In big and middle scaled cities, much more attention should be given to aspects as new financial products, saving plan, credit management, house property rights and project retire. These issues are of great attraction to them. In rural areas, much importance should be attached to four aspects: firstly, deposit and saving knowledge, including the changes of deposit rate, the method to calculate interests, re-deposit and report the loss of bankbook; secondly, knowledge of loan, making them understand the sorts, terms and procedures of issuing loans; thirdly, exchange knowledge. Just because many rural habitants know little about exchange and electronic exchange system, they take the risk of going home with a large amount of cash, which might be the whole income of a year. Fourthly, they have to know more

about life and property insurance.

3. Make a clear plan of popularizing financial quality education

The financial quality education is not just designed for adults, but also for the primary and secondary school students. We should think much of the training of teachers as well. The popularization work should be promoted from the children. We should also strengthen the fostering of their financial awareness. We will make a long-run financial education popularization plan and organize experts and scholars to compile some easy-to-read textbooks. It would be the best if the Ministry of Education of the People's Republic of China absorbs the financial education into the national education system. We will strengthen the force of instructors training and the financial education research. We will do our utmost to explore the rule of financial education and improve the outcome of education.

Government may sponsor national and regional activities for popularizing financial education, emphasizing its practicability and interest. In accordance with their own situation, branches of financial regulatory institutions should strengthen the force of integrating financial resources; increase the communication between financial industry and social force. In full use of the education stage and the local resources, they can also organize propagating and education activities among units and communities.

Finally, please allow me, on behalf of the China Banking Association to extend warm welcome and thanks for your sincere advices. I firmly believe that, with the support from the leaders of Chinese government and society, the popularization of financial education will achieve great success.

Thank you!