

# **Notice of PBC and CBIRC on Establishing the Real Estate Loan Concentration Management System for Banking Financial Institutions**

**Yinfa No.322 [2020]**

The Shanghai Head Office of the People's Bank of China (PBC), branches and operations offices of the PBC, central sub-branches of the PBC in capital cities of provinces (autonomous regions), and central sub-branches of the PBC in sub-provincial cities; local offices of the China Banking and Insurance Regulatory Commission (CBIRC); China Development Bank, policy banks, state-owned commercial banks, joint-stock commercial banks, and Postal Savings Bank of China:

To enhance the capacity of banking financial institutions to withstand fluctuations in the real estate market, guard against potential systemic financial risks caused by excessive concentration of real estate loans within the financial system, and improve the robustness of banking financial institutions, the PBC and the CBIRC decided to establish the system for managing the concentration of real estate loans at banking financial institutions. This Notice is hereby issued regarding the following related matters:

1. In this Notice, "banking financial institutions" refer to Chinese-funded banking financial institutions with legal person status established within the territory of the People's Republic of China.
2. In this Notice, "real estate loan concentration management" refers to the requirement that, for any banking financial institution (excluding its overseas branches), the balance of real estate loans as a percentage of its outstanding RMB loans ("real estate loan ratio") and the balance of personal mortgage loans as a percentage of its outstanding RMB loans ("personal mortgage loan ratio") shall in each case meet the management requirements set by the PBC and the CBIRC, i.e., they shall not exceed the real estate loan ratio ceiling and personal mortgage loan ratio ceiling set by the PBC and the CBIRC. The requirement shall also be implemented by development banks and policy banks with reference to this Notice.

$$\text{Real estate loan ratio} = \frac{\text{Balance of real estate loans}}{\text{Outstanding RMB loans}} \times 100\%$$

$$\text{Personal mortgage loan ratio} = \frac{\text{Balance of personal mortgage loans}}{\text{Outstanding RMB loans}} \times 100\%$$

3. The PBC and the CBIRC manage the real estate loan concentration of banking financial institutions by tiers, which are determined based on the institutions' asset size and type, and will adjust the scope of applicable institutions, tier standards, management requirements, and the statistical methods of relevant indicators as needed based on a comprehensive evaluation of such factors as the scale development of banking financial institutions and the systemic financial risks in the real estate sector.
4. PBC branch offices at or above the level of central sub-branches in sub-provincial cities, together with the CBIRC local offices of the corresponding localities, may determine the requirements for real estate loan concentration management applicable to local tier-3, tier-4, and tier-5 legal-person banking financial institutions within their jurisdictions, provided the requirements are within 2.5 percentage points above or below the baseline figures for the corresponding tiers set out in this Notice and set based on a thorough evaluation of the reasonableness of the requirements in the context of the local economic and financial development level, the specific circumstances of those banking financial institutions, and the systemic financial risks within their jurisdictions. The PBC and the CBIRC will supervise how PBC branch offices at or above the level of central sub-branches in sub-provincial cities and CBIRC local offices determine the requirements for real estate loan concentration management for the legal-person banking financial institutions within their jurisdictions.
5. Banking financial institutions whose real estate loan ratio or personal mortgage loan ratio exceeded the management requirements by no more than 2 percentage points at the end of December 2020 will be granted a two-year transition period for business adjustment from the effective date of this Notice; those that exceeded the management requirements by more than 2 percentage points will be granted a four-year transition period from the effective date of this Notice. The transition periods for the real estate loan ratio and the personal mortgage loan ratio are set separately.
6. Any banking financial institution whose real estate loan concentration level has exceeded the management requirements must develop an adjustment plan for meeting those requirements before the end of the transition period and clarify the specific measures to be taken to align with the requirements. Banking financial institutions falling into tier-1 and tier-2 categories for real estate loan concentration management shall submit their adjustment plans to the PBC and the CBIRC within one month from the effective date of this Notice and shall submit their implementation reports on a quarterly basis. Those falling into tier-3, tier-4, and tier-5 categories for real estate loan concentration management shall submit their adjustment plans to local PBC branch offices and CBIRC local offices within one month from the effective date of this Notice and shall report their implementation of the plans on a quarterly basis.
7. The PBC, the CBIRC, and the PBC branch offices and CBIRC local offices periodically monitor and evaluate the state of compliance with the requirements.

8. Banking financial institutions that meet the management requirements for real estate loan concentration shall engage in real estate loan-related businesses with prudence to keep their real estate loan ratios and personal mortgage loan ratios stable.

9. If a banking financial institution fails to meet the requirements for real estate loan concentration management at the end of the transition period due to objective reasons, it may apply for an extension. An extension of appropriate length may be granted if it is deemed reasonable by the PBC and the CBIRC or by the relevant local PBC branch office and CBIRC local office.

10. For banking financial institutions that fail to comply with the requirements of this Notice, the PBC and the CBIRC will take measures such as imposing additional capital requirements and adjusting the risk weighting of their real estate assets.

11. This Notice will take effect on January 1, 2021.

The Shanghai Head Office of the PBC, branches and operations offices of the PBC, central sub-branches of the PBC in capital cities of provinces (autonomous regions), and central sub-branches of the PBC in sub-provincial cities are hereby directed to forward this Notice to the PBC branch offices, urban commercial banks, rural commercial banks, rural cooperative banks, rural credit cooperatives, village and township banks, and private banks within their respective jurisdictions; CBIRC local offices are hereby directed to forward this Notice to the CBIRC local sub-offices within their respective jurisdictions.

Annex: Real Estate Loan Concentration Management Requirement. doc

The People's Bank of China

China Banking and Insurance Regulatory Commission

December 28, 2020